MOORE CORPORATION LIMITED

1998 Annual Report

MOORE®

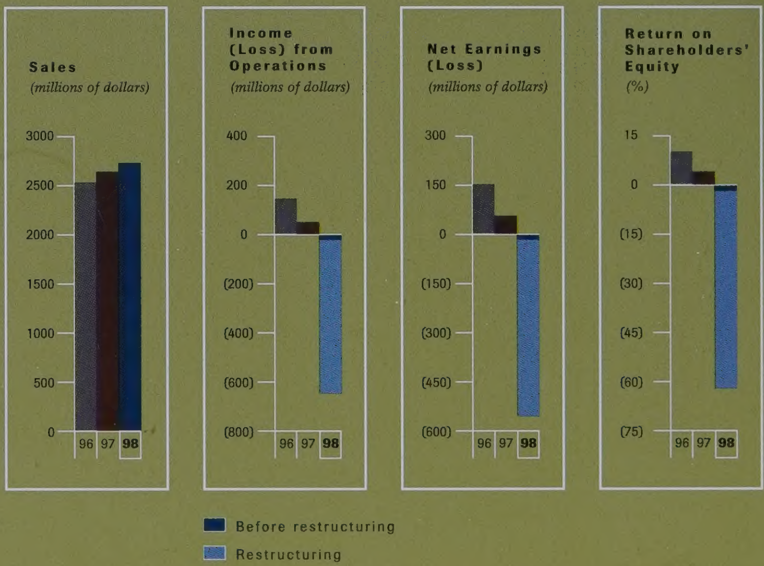
MOORE HELPS COMPANIES COMMUNICATE THROUGH PRINT AND DIGITAL TECHNOLOGIES.
MOORE DESIGNS, MANUFACTURES AND DELIVERS BUSINESS COMMUNICATIONS SOLUTIONS FOR CUSTOMERS.

Moore has valuable assets to create shareholder value:

- Large and diversified customer base
- Rich product and service portfolio
- Customer loyalty
- Technology leadership: from paper to digital

1998 was a year of restructuring.

"We have a strong balance sheet and are committed to taking the necessary actions to restore profitability."



ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS: THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF MOORE CORPORATION LIMITED WILL BE HELD AT THE DESIGN EXCHANGE, 234 BAY STREET, 2ND FLOOR–TRADING FLOOR, TORONTO, CANADA ON FRIDAY, APRIL 23, 1999 AT 10:00 A.M. TORONTO TIME.

Our five Strategic Initiatives shape

the plan to transform Moore

and enhance shareholder value.

the plan

"These five

Strategic

Initiatives

will revitalize

Moore."

STRATEGIC INITIATIVES

1 grow market leadership position in North American forms and labels business

2 expand digital and electronic solutions capabilities

3 accelerate growth in marketing services and business communications operations

4 streamline business portfolio and improve productivity through restructuring

5 exceed customer expectations and foster employee commitment

BUSINESS OBJECTIVES	KEY ACTIONS
• **Improve forms and labels profitability**	• Initiate major restructuring program
• **Increase plant utilization**	• Rationalize manufacturing capacity
• **Drive decision-making closer to the customer**	• Create integrated, delayered North American organization
• **Focus investments in digital and Internet-based solutions**	• Form emerging technologies group
• **Capture growth opportunities in emerging technologies**	• Launch new suite of electronic solutions • Offer multiple choices for electronic deployment
• **Continue to build business to generate double-digit growth**	• Deliver integrated value proposition • Develop customer relationship management solutions • Add scale and enhance capabilities through selected alliances and acquisitions
• **Focus on core operations and products**	• Divest non-strategic, unprofitable businesses and products
• **Simplify business processes**	• Integrate, standardize and improve business processes through enterprise-wide system
• **Reduce infrastructure cost**	• Reduce layers of management; implement Shared Services
• **Delight the customer**	• Align sales, production and distribution resources
• **Align incentive programs with creation of shareholder value**	• Use Economic Value Added® (EVA) as key measure for short- and long-term incentive programs
• **Strengthen employee commitment**	• Act on employee commitment survey results • Launch new training and development programs

message from our president and CEO

Ed Tyler

commitment

to make it happen

I want to take this opportunity–my first annual report to shareholders–to outline the actions taken in 1998 to return our Company to acceptable levels of profitability.

Revenue in 1998 was $2.7 billion, an increase of $87 million over 1997. Excluding the impact of divestitures and acquisitions in 1998 and 1997 and foreign currency fluctuations, revenue increased by 3 percent.

The net loss for 1998 was $548 million or $6.19 per share, compared with 1997 net income of $55 million and earnings per share of $0.59. The loss was due primarily to the restructuring provision.

Cash from operations of $39 million in 1998 decreased from $198 million in 1997 primarily because of lower earnings and restructuring expenditures.

Our major activity in 1998 was implementing a comprehensive restructuring plan that will generate annual savings in excess of $120 million by the year 2001 and strengthen Moore's long-term prospects for profitable growth.

Our strategic initiatives enable Moore to sharpen its focus on our customers' needs, enhance the speed and flexibility in the way we do business and reduce costs.

When fully implemented, these actions will help us be a more competitive and aggressive organization, better able to manage our assets for sustained growth and profitability. Although we will not reach our goals overnight, the steps we are taking will steadily improve our profitability and our capability to deliver increased value to all stakeholders.

During the second half of 1999, we should begin to see clear, positive trends as the realignment and streamlining of the Company continue to impact earnings.

Our marketing services business and our business communications services division have outstanding technology and products, and through strategic alliances and acquisitions, they should continue to grow at double-digit rates.

Our ultimate success will come from an intimate knowledge of our customers' needs. As a result, we are in the process of redefining our broad client base into more precise market segments, and devoting specialized sales and support teams to service them.

Beginning January 1999, we are adopting Economic Value Added® (EVA) to help drive value creation and return Moore to acceptable profit levels. EVA is net operating profits after tax, less a charge for capital used in the business. It is a discipline that will improve decisions at every level of the organization, whether they be investing in business operations that positively contribute to value creation, identifying areas for improvement or stopping investments in areas that do not create value.

Moore is uniquely positioned to provide industry-leading technology to assist customers in making the transition from print to digital and electronic solutions. Customers are looking to Moore to provide the leadership necessary in this migration. We are the recognized industry leader in traditional and emerging digital and electronic business. Examples of this can be seen in our customer solutions stories starting on page 17.

We have put in place the strategic initiatives to turn Moore around. I would like to thank all Moore employees who have rededicated themselves to helping restore this Company to profitable growth.

Ed Tyler

Ed Tyler
PRESIDENT & CEO

message from our chairman

Tom Kierans

As the results indicate, 1998 was a year of restructuring at Moore. Circumstances demanded that decisive actions be taken.

The Board hired Ed Tyler as President and CEO in April 1998 knowing that he would act swiftly and with a clear focus to restore investor confidence in Moore.

Hard decisions had to be made. Ed Tyler had the complete support of the Board as he divested non-strategic operations, rationalized manufacturing capacity, re-focused the Company on its North American forms and labels business and accelerated the growth plans of the Customer Communication Services division.

I said last year that we would stabilize the Company in 1998. The programs initiated by Ed and his management team have provided the framework for profitable growth in 1999 and we should start to see the impact of these actions in the second half of the year.

Thomas E. Kierans
CHAIRMAN OF THE BOARD

FINANCIAL HIGHLIGHTS

EXPRESSED IN UNITED STATES CURRENCY AND, EXCEPT PER SHARE AMOUNTS, IN MILLIONS OF DOLLARS	**1998**	1997	1996
CONSOLIDATED STATEMENT OF EARNINGS			
Sales	**$ 2,718**	$ 2,631	$ 2,518
Income (loss) from operations, before restructuring	**(16)**	49	143
Income (loss) from operations	**(631)**	49	143
Per dollar of sales	**(23.2)¢**	1.9¢	5.7¢
Income tax expense (recovery)	**(94)**	49	49
Percentage of pre-tax earnings	**15%**	47%	24%
Net earnings (loss), before restructuring	**(17)**	55	150
Net earnings (loss)	**(548)**	55	150
Per dollar of sales	**(20.2)¢**	2.1¢	6.0¢
CONSOLIDATED BALANCE SHEET			
Working capital	**$ (47)**	$ 175	$ 884
Ratio of current assets to current liabilities	**1.0:1**	1.2:1	2.8:1
Capital employed in business	**1,033**	1,534	1,776
Return on capital employed	**(42.7)%**	3.3%	8.6%
Shareholders' equity	**610**	1,186	1,550
Return on shareholders' equity	**(61.0)%**	4.0%	9.9%
Total assets	**1,726**	2,175	2,224
Expenditure for property, plant and equipment	**75**	136	120
PER COMMON SHARE			
Net earnings (loss), before restructuring	**$ (0.19)**	$ 0.59	$ 1.50
Net earnings (loss)	**(6.19)**	0.59	1.50
Dividends declared	**0.385**	0.94	0.94
Shareholders' equity	**6.90**	13.40	15.49
Average shares outstanding (in thousands)	**88,456**	93,200	99,967

KEY STRATEGIC INITIATIVE

1

grow market leadership position

in North American forms and labels business

The key executives charged with delivering leadership to Moore North America.

LEFT TO RIGHT

Tom McKiernan
Executive Vice President

Sieg Buck
President
Sales and Marketing
Moore North America

Pat Brong
President
Logistics and Operations
Moore North America

"The winning companies will be the ones that are directly aligned with the constantly changing and evolving needs of the customer."

what we're doing

Initiate major restructuring program

- A $615 million provision was made to reorganize the Company's marketing and selling organization, close several manufacturing facilities and streamline operations throughout Moore.
- Foremost in this restructuring program is profit improvement in the forms and labels business. The Company is eliminating commodity products that deliver very little profitability, and is expanding its core offerings.

Rationalize manufacturing capacity

- In August 1998, the Company began consolidating core forms manufacturing operations across North America, which will result in the closure of seven North American manufacturing facilities. At the end of 1998 two plants had closed.
- Moore is also linking its 18 print centres to its North American manufacturing facilities in order to enhance its geographic coverage to customers and improve short-run, just-in-time service capabilities. This allows Moore to focus its efforts and energy on providing products that customers want and in turn, allows Moore to be profitable.
- Moore continues to invest in new equipment, rationalize capacity and make use of strategic outsourcing opportunities.

Create integrated, delayered North American organization

- Announced in July 1998, as part of the strategic restructuring program, Moore integrated its sales and marketing staff, as well as its logistics and manufacturing operations in North America. This integration of 10 operating units into one focused, streamlined organization will reduce costs, improve the Company's effectiveness and enhance customer satisfaction.
- Integration of forms and labels with digital and commercial print, print management, equipment and telesales was completed by the end of 1998.
- Sales efforts will be focused on attracting and retaining customers who are loyal, willing to pay for value, knowledgeable about technology, and ready to implement new products and services, as well as companies who have decided document management is no longer one of their core competencies. The sales force is being trained on customer behavior profiling, enabling the Company to better develop value propositions consistent with customers' preferences.

KEY STRATEGIC INITIATIVE 2

expand digital and electronic solutions capabilities

LEFT TO RIGHT

Chris Hipp
Vice President
Research and Chief Environmental Officer

Bob Jones
Vice President and CIO

Steve Walker
Vice President and General Manager
Enterprise Resource Planning Project

"We are the recognized industry leader in innovative digital and electronic solutions, print software systems and Internet applications."

Innovative technology and development, and improving the information systems infrastructure are the responsibilities of this team.

what we're doing

Form emerging technologies group

- In November 1998, the Company announced the formation of a dedicated digital applications development team to focus on delivering technology-driven document management solutions and industry-leading outsourcing capabilities.
- This group, Emerging Technologies, will develop and leverage end-to-end electronic solutions designed to meet the total needs of customers by effectively addressing document creation, production and workflow processes across the enterprise.
- Emerging Technologies will also work closely with individual marketing product directors to develop and implement solutions in the areas of e-commerce, data management and personalized, on-demand communication.

Launch new suite of electronic solutions

- The Company is also becoming much more active in providing consulting services to assist customers in making the transition from paper to digital-based solutions. As the market shifts to electronic and digital solutions, Moore has the size and leverage to be the recognized seamless solutions provider of choice.
- In 1998, the Company launched several integrated, digital document management tools to give companies the low-cost, high-quality printed digital documents that they are looking for. In December, Moore introduced DocNet™, an electronic forms repository that provides companies with an intuitive, cost-effective way to implement secure forms management, and access utilizing service delivery channels, including Internet, intranet, and the desktop.
- Other electronic solutions include NAble™, a document management enabler for managing and tracking documents and forms across the corporate enterprise, and NDemand™, an industry-leading solution for automated Print-on-Demand (POD).

Offer multiple choices for electronic deployment

- Moore is currently redefining its broad client base into more precise market segments. The Company is also examining their preferred ordering channel.
- The main channel of business remains our field sales staff. A new generation of customers however, all with substantial buying power, is turning to electronic commerce, such as teleservices and the Internet, to transact business.
- By the Second Quarter 1999, we will have evaluated our customers' channel and preferences and will align our capabilities to meet those preferences.
- Our channel optimization initiative includes plans to implement TeamServ™, a multi-faceted approach to serving customers, by the Second Quarter 1999. TeamServ supports direct sales representatives with telesales and other channels.

3

accelerate growth in marketing services and business communications operations

The leadership team responsible for generating double-digit revenue growth in this business segment.

LEFT TO RIGHT

Dick Zagorski
President
Response Marketing Services

John Schulte
Managing Director
CCS Europe

Gary Ampulski
President
Business Communication Services

Ed Dorrington
President
Phoenix Group

"Companies continue to look to Moore for innovative and integrated solutions that will boost productivity and help gain a competitive edge with their customers."

Richard M. Zagorski   Gary Ampulski   Edgar L. Dorrington

what we're doing

Deliver integrated value proposition

- The combined capabilities of Moore's marketing services and business communications operations with Moore North America present an integrated value proposition unsurpassed in the industry. No competitor can match the expertise and the diverse products and service offerings.
- Business Communications Services is focusing on key vertical markets, enterprise outsourcing and business communications solutions that capture possible opportunities with our forms and labels business.
- The Company is also integrating additional services such as creative consulting, database marketing and project management into a full service value delivery system to enhance the overall value proposition.

Develop customer relationship management solutions

- Moore is configuring its rich direct mail and marketing services portfolio to enable its customers to build enduring relationships with their customers and realize the full lifetime potential of the customer relationship.
- Moore's interactive solutions harness the power of the Internet and the strength of the Company's variable imaging technology to help create long-term, profitable, "one-to-one" customer relationships.

Add scale and enhance capabilities through selected alliances and acquisitions

- In 1998, Moore completed an analysis of its full capabilities with the aim of identifying current gaps in its product portfolio. Through selected alliances and acquisitions, the Company intends to enhance its product offerings for continued double-digit growth.

KEY STRATEGIC INITIATIVE

4

streamline business portfolio and improve productivity through restructuring

LEFT TO RIGHT

Karen Kane
Vice President, Finance
Response Marketing Services

Jeff Cook
Vice President, Finance
Moore North America

Steve Holinski
Senior Vice President and CFO

Gary Hubbard
Vice President
Business Results Team

Art Mitchell
Vice President and Controller

Members of the financial management team that will drive cost competitiveness.

"We have to get better every day. We have to focus and execute. We have to be prepared to change and continually reinvent the way we do business because the old way no longer means success."

what we're doing

Divest non-strategic, unprofitable businesses and products

- The Company moved to divest non-strategic operations. In the Third Quarter 1998, Moore sold its European forms and labels business and its Dallas-based Rediform operation.
- In the Fourth Quarter, the Company completed the sale of its Australasia operations, which included all Moore operations in Australia, New Zealand and Papua New Guinea.

Integrate, standardize and improve business processes through enterprise-wide system

- Moore has undertaken an enterprise-wide resource planning initiative to upgrade its information systems infrastructure. At a total investment of more than $100 million, the new integrated system of SAP and SAP-compatible software will allow the Company to better focus on customers' needs by dramatically simplifying and improving data sharing, and all transaction processes, including order management, manufacturing, invoicing and accounting, and product movement throughout the Company. It will significantly improve overall operation performance.
- The Company's manufacturing facility in Cowansville, Quebec, was the first to go "live" with the new system September 1, 1998 followed by Vancouver and Winnipeg. The phased-in rollout plan calls for Moore North America to be completed in 2000.

Reduce layers of management; implement Shared Services

- A new Shared Services organization was formed in September 1998 to consolidate and integrate similar and repetitive activities while providing the opportunity to share best practices, skills, learning opportunities and workloads across divisions. Benefits include increased service levels and realized cost savings by eliminating redundant activities.
- In July 1998, the Company announced its plan to reduce the workforce by approximately 25 percent. By the end of 1998, including divestitures, approximately 2,900 positions had been eliminated.

K E Y S T R A T E G I C I N I T I A T I V E

5

exceed customer expectations and foster employee commitment

The leaders of Moore's employee commitment and customer satisfaction initiatives.

LEFT TO RIGHT

Chuck Canfield
Vice President
Human Resources and
Corporate Communications

Russ Johnson
Vice President
Procurement

Mary Lee Keefe
Director
Executive Operations

"We are moving quickly to equip our people with the skills and tools they need to create both customer and shareholder value."

C.J. Canfield   Russell Johnson   Mary Lee Keefe

what we're doing

Align sales, production and distribution resources	• At Moore, we believe success depends on how well we exceed customer expectations. In May 1998, the Company undertook a detailed customer satisfaction survey involving more than 1400 customers. Two-thirds of customers surveyed gave Moore a top rating on overall satisfaction. In addition, 85 percent of respondents indicated that they were very or somewhat likely to repurchase or recommend repurchase at the next opportunity. The survey also identified shortcomings within each business unit, and as a result, the Company is aligning sales, production and distribution resources that will help grow customer loyalty and enhance customer satisfaction.
Use Economic Value Added® (EVA) as key measure for short- and long-term incentive programs	• To achieve its goal of enhancing shareholder value, the Company has adopted Economic Value Added® (EVA), as the key measure of financial performance. EVA is a discipline adopted by some of the most successful companies to maximize long-term shareholder value. • EVA reinforces the Company's commitment to customer satisfaction. By satisfying the customer, Moore will gain market share, which will result in stronger financial performance, and ultimately, increased value to shareholders. • The Company has also established Economic Value Added (EVA) as the key driver of incentive compensation which will be based on achieving EVA targets.
Act on employee commitment survey	• During the Fourth Quarter 1998, the Company completed a detailed survey on employee commitment. More than 84 percent of employees completed the survey, with 83 percent of employees focused on customer satisfaction as their key priority. The results establish benchmark data, as well as key indicators of employee commitment, enabling us to measure progress in several areas, especially their impact on customer satisfaction.
Launch new training and development programs	• Moore's commitment to employee training and development is a key ingredient to the success of its strategic business plans. In December 1998, the Company announced a renewed commitment to developing the proper tools for employees to succeed in meeting individual and team objectives. • The Company is undertaking an assessment of current resources, as well as a thorough analysis of the performance and training priorities for 1999 and beyond.

Moore customer solutions at work

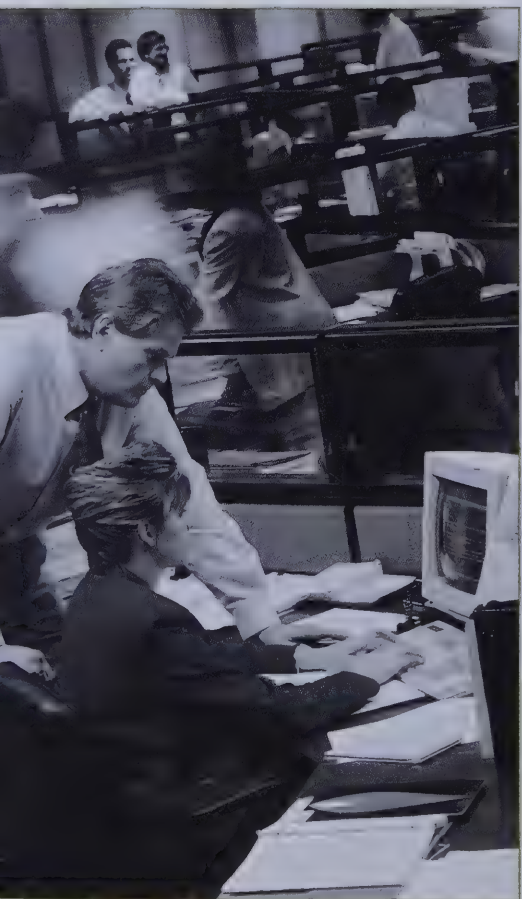
Leading the way in healthcare document management

In December, Moore announced the signing of a five-year contract with Premier Purchasing Partners, L.P., with a potential value of $500 million. Premier Purchasing Partners is a limited partnership through which Premier Inc. manages its group purchasing activities.

As a leading healthcare provider, Premier is turning to Moore to help its members streamline and standardize their document and workflow processes in order to give caregivers more time for patient care. The services covered by the contract include comprehensive document management services, custom printed forms for all administrative and clinical applications, stock healthcare claim forms, document/information standardization and digital services.

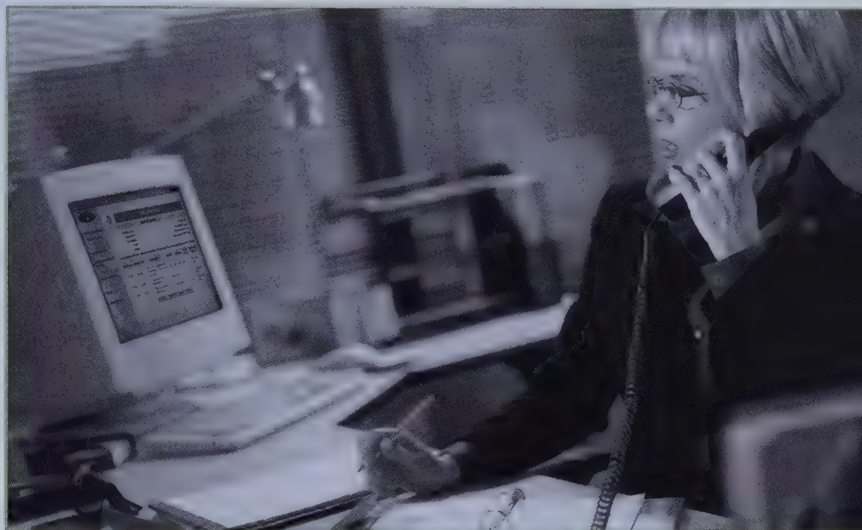
Included in the contract is the implementation of Moore's Document Pathways™, a proprietary system that allows caregivers to record and disseminate clinical information in the most concise and efficient manner possible.

Moore meets challenge from Qwest



In early 1998, Moore was presented with a challenge: Qwest Communications, of Denver, Colorado, had redesigned its customer billing statements for more control and flexibility. In doing so however, Qwest had converted the statement files to an IBM compatible Advanced Function Presentation (AFP) format, which differed greatly from the files Moore had been receiving for printing and mailing. Qwest also requested that the printing cycle be cut from two days to one.

The software development team at Moore Research Center had to convert the AFP files to a format compatible with Moore's Integrated Print System (MIPS) in order to meet the customer's request. Working closely with Qwest, as well as with the Business Communication Services team in Thurmont, Maryland, the development and testing challenge was met ahead of schedule. Several new features were added to enhance the software that allowed for mainframe connectivity.



GSA expects to save millions with Moore DocNet™

Following a rigorous eight-month Beta test, the U.S. General Services Administration in November placed 400 federal forms on a single Web site using Moore's DocNet™—a rapidly deployable electronic forms network solution. DocNet, which was launched commercially in December, provides companies with an easy, cost-effective way to implement secure forms management capabilities, as well as the ability to deliver documents and forms over the Internet in real time.

Using DocNet, the GSA forms are viewed, filled-in, printed, e-mailed or faxed directly from the Internet, improving customer accessibility and reducing processing costs for the federal agency. The document Internet initiative is expected to save millions of dollars by eliminating the need to stock paper forms, and by decreasing processing time and labour costs. The DocNet solution can be used in a large application involving an unlimited site license, as in the case of the GSA, or for a network with fewer than 20 concurrent users.

The primary objective of the Moore Board of Directors is to preserve and grow shareholder value. To this end, the Board assumes ultimate responsibility for the stewardship of the Corporation, directly and through its six Committees.

The Board believes its policies and practices are designed to achieve effective leadership of the Corporation and are in compliance with the corporate governance guidelines established by the Toronto and Montreal stock exchanges.

A full discussion of Moore's governance practices is contained in the Management Information Circular and Proxy Statement sent to shareholders with this Annual Report.

DIRECTORS

The following persons will be nominated as directors at the 1999 Annual and Special Meeting of Shareholders.

Thomas E. Kierans
Toronto, ON
Chairman of the Board
since 1997
President and
Chief Executive Officer
C.D. Howe Institute

Derek H. Burney, O.C.
Montreal, QC
Director since 1993
Chairman and
Chief Executive Officer
Bell Canada International Inc.

Leon Courville
Montreal, QC
Director nominee
President, Personal and
Commercial Bank and
Chief Operating Officer
National Bank of Canada

Shirley A. Dawe
Toronto, ON
Director since 1989
President
Shirley Dawe Associates Inc.

Barton L. Faber
Phoenix, AZ
Director nominee
Chairman and
Chief Executive Officer
FABERcapital

Richard J. Lehmann
Chicago, IL
Director since 1997
Vice Chairman
Bank One Corporation

Jeanette P. Lerman
Philadelphia, PA
Director since 1995
President
J.P. Lerman & Co.

Brian M. Levitt
Montreal, QC
Director since 1996
President and
Chief Executive Officer
Imasco Limited

David R. McCamus
Oakville, ON
Director since 1997
Corporate Director

J. Robert S. Prichard, O.C.
Toronto, ON
Director since 1996
President
University of Toronto

James M. Stanford
Calgary, AB
Director since 1997
President and
Chief Executive Officer
Petro-Canada

Thomas M. Taylor
Fort Worth, TX
Director since 1997
President
Thomas M. Taylor & Co.

W. Ed Tyler
Chicago, IL
Director since 1998
President and
Chief Executive Officer
Moore Corporation Limited

APPOINTMENTS

On April 23, 1998, the Board of Directors appointed W. Ed Tyler as a Director. Mr. Tyler was appointed President and Chief Executive Officer of the Corporation effective April 1, 1998.

RETIREMENTS

The Board of Directors wishes to thank Carl E. Lindholm for his contribution during his tenure as a Director.

CORPORATE MANAGEMENT

W. Ed Tyler ▲
President and
Chief Executive Officer

Thomas J. McKiernan ▲
Executive Vice President

James B. Currie ▲
Senior Vice President
Business Development

Stephen A. Holinski ▲
Senior Vice President and
Chief Financial Officer

Charles F. Canfield ▲
Vice President
Human Resources and
Corporate Communications

Charles J. Evans ▲
Vice President
Taxation

Christian J. Hipp
Vice President
Research and Chief
Environmental Officer

Russell I. Johnson ▲
Vice President
Procurement

Robert M. Jones
Vice President and
Chief Information Officer

Shoba Khetrapal ▲
Vice President and
Treasurer

Arthur N. Mitchell ▲
Vice President and
Controller

Robert Z. Slaughter ▲
Vice President and
General Counsel

Stephen Walker
Vice President and
General Manager
Enterprise Resource Planning Project

Joan M. Wilson ▲
Vice President and
Secretary

OPERATING MANAGEMENT

Patrick T. Brong ▲
President
Logistics and Operations
Moore North America

Siegfried E. Buck ▲
President
Sales and Marketing
Moore North America

James D. Wyner ▲
President
Peak Technologies

Gary W. Ampulski
President
Business Communication Services

Edward L. Dorrington
President
Phoenix Group

Thomas M. Gregorich
President
Data Management Services

Richard M. Zagorski
President
Response Marketing Services

Wayne K. Adams ▲
President
Moore Latin America

John S. Schulte
Managing Director
CCS Europe

LEFT TO RIGHT

Bob Slaughter
Vice President and General Counsel

Joan Wilson
Vice President and Secretary

Shoba Khetrapal
Vice President and Treasurer

Jim Currie
Senior Vice President Business Development

Corporate Services plays a key role in supporting the Board and Moore's operating management. Some of that executive team is pictured above.

▲ *Corporate Officer*

all the power of Moore in the community

With a renewed focus on employee commitment, corporate giving in 1998 was concentrated on supporting employees in their activities to assist and improve the communities in which they live and work.

Some of the organizations supported in 1998 in which Moore employees serve on the Boards are **Invest in Kids, AIESEC, Big Brothers/Big Sisters of Lake County**, and the **American Red Cross (Mid-America)**.

For the second year in a row Moore employees in the Chicago and surrounding area volunteered their evenings and weekends assisting in the building of a house in Waukegan, Illinois, as part of its ongoing commitment to the **Habitat for Humanity** program.

Over 85 employees from Phoenix Group, a Moore company in Farmington Hills, Michigan, participated in and raised funds for the **Karmanos Cancer Institute** as part of their Race for the Cure.

The devastation of hurricanes Georges and Mitch caused severe damage to homes and businesses in Central America and the Caribbean. The corporation matched employee donations to assist fellow employees in the rebuilding of homes and buildings and the delivery of food and medical supplies in Puerto Rico and Honduras.

Moore Business Communication Services assisted the **Special Olympics of Michigan** to raise over $80,000 for sports programming by actively participating in their annual fundraising campaign during the Christmas holidays.

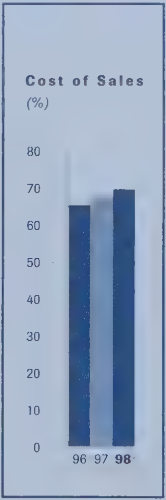
THIS SECTION PROVIDES A REVIEW BY MANAGEMENT OF MOORE CORPORATION LIMITED'S FINANCIAL PERFORMANCE DURING THE THREE YEARS ENDED DECEMBER 31, 1998. THE ANALYSIS IS BASED ON THE CONSOLIDATED FINANCIAL STATEMENTS, WHICH ARE PRESENTED STARTING ON PAGE 38, PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) IN CANADA. DIFFERENCES FROM GAAP IN THE UNITED STATES ARE DISCLOSED IN NOTE 24 ON PAGE 57.

OVERVIEW

1998 was a year of significant change. In April, Ed Tyler was appointed president and CEO of Moore Corporation Limited. A corporate strategy was developed in 1998 focusing on five strategic initiatives.

- Securing a market leadership position in the North American forms and labels business
- Accelerating growth in direct marketing and business communications businesses
- Streamlining the business portfolio and enhancing productivity
- Exceeding customer expectations and fostering employee commitment
- Investing in digital-based electronic solutions

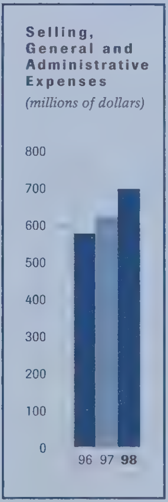
A comprehensive restructuring program to make fundamental and permanent changes and to reduce the Corporation's cost structure was announced following a review by the Board of Directors on July 22, 1998, and given final approval on October 21, 1998. Through these actions, the Corporation will capitalize on growth opportunities in certain business segments as the cost structure is lowered. In addition, the Corporation adopted Economic Value Added® (EVA) as the key measure to determine whether the business earns more than its true cost of capital.



RESULTS OF OPERATIONS – 1998/1997

Sales in 1998 of $2,718 million increased by $87 million or 3% compared to 1997 sales of $2,631 million. Fourth quarter sales in 1998 of $699 million (1997 – $747 million) decreased by $48 million or 6%. Excluding the impact of divestitures and acquisitions in 1998 and 1997 and foreign currency fluctuations, sales for the full year of 1998 increased by 3% over 1997 sales and sales in the fourth quarter of 1998 increased by 4%.

Cost of sales in 1998 was 69.6% of sales compared to 67.7% in 1997. In the fourth quarter of 1998, cost of sales was 69.3% (1997 – 67.9%). The ratio increase in 1998 was due primarily to excess forms manufacturing capacity, increased sales of lower margin products, a shift to purchased volumes compared to manufactured volumes in the Canadian operations, and additional investments in the information technology infrastructure.



Selling, general and administrative costs in 1998 increased to $697 million from $624 million in 1997. Excluding the impact of acquisitions and divestments in 1998 and 1997, $9 million of one-time operational charges and $25 million of Year 2000 costs in 1998, selling, general and administrative expenses were $17 million above the 1997 level. The Corporation continued to invest in the direct sales organizations of the Customer Communication Services businesses, while

taking cost reduction actions in the worldwide forms business. The ratio of selling, general and administrative costs to sales in 1998 increased to 25.7% compared with 23.7% in 1997. Divestments in 1998, net of the impact of acquisitions made in 1997, the impact of the Year 2000 expenditures, and one-time operational charges in 1998 accounted for the entire increase in the 1998 full year ratio. In the 1998 fourth quarter, the ratio of 24.6% was slightly above the 1997 fourth quarter level of 24.3%; excluding acquisitions and divestments, and Year 2000 expenditures, the selling, general and administration ratio in 1998 of 23.7% was below the 1997 ratio by 0.6 percentage points.

A restructuring provision of $615 million was recorded in 1998. The restructuring program is described in a separate section of the Management's Discussion and Analysis. During 1997, the Corporation initiated certain actions to reduce overhead costs in the North American and Latin American businesses resulting in a realignment charge of $32 million; $17 million was recorded in the third quarter of 1997 and $15 million was recorded in the fourth quarter of 1997.

Capital asset amortization of $118 million in 1998 increased by $2 million from $116 million in 1997. Additional depreciation on the increased capital investments was offset partially by lower goodwill amortization due to the write-downs of certain goodwill balances under the 1998 restructuring program. Assuming the goodwill write-downs had taken place at January 1, 1998, goodwill amortization for 1998 would have been $8 million compared to $16 million in 1997.

Research and development costs for 1998 of $27 million were $3 million below $30 million in 1997. Investments in leading-edge technologies for 1998 focused on pressure seal self-mailers, several fraud deterrent features for negotiable documents, and new label constructions. For the high speed digital printing business, a number of new, higher print quality offerings were introduced that improved the product appearance and supported new, higher information density bar codes. In addition, significant ink jet offerings were introduced and new digital printing software was developed. In 1999, management expects to incur $20 million to $25 million for research and development costs.

The loss from operations in 1998 was $631 million compared to income from operations in 1997 of $49 million. The profit decline reflected mainly the $615 million of restructuring charges, $15 million of one-time operational charges, and $25 million of expenditures incurred to renovate information technology systems for the year 2000. Included in 1997 income from operations were $32 million of realignment costs. Excluding the impact of restructuring costs, one-time operational charges and Year 2000 costs in 1998, and realignment costs in 1997, income from operations in 1998 was $24 million compared to income from operations of $81 million in 1997. In 1998, income from operations, before one-time charges and Year 2000 costs, of the North American businesses decreased by 54% compared to 1997, reflecting primarily the lower forms volume and excess manufacturing capacity, increased sales of lower margin products and additional investments in the information technology infrastructure. Loss from operations, before one-time charges, in the international businesses decreased to $12 million compared with losses in 1997 of $14 million due principally to the divestment of the European forms business in August 1998 and increased profits in the Latin American operations.

Investment and other income of $7 million in 1998 decreased from $70 million in 1997. In 1998, the Corporation recognized $24 million of gains on the sales of the investment in Cordant Holdings Corporation, the Rediform business and the Albany, Georgia manufacturing facility, offset partially by $8 million of costs to decouple the customer communication services business from the forms business in Europe, and an $8 million write-down of capitalized software costs. Investment income was $16 million lower in 1998 as funds were used in 1997 to make four acquisitions and a common share buy-back. In 1997, the Corporation realized a $66 million gain on the sale of its remaining 10% equity interest in Toppan Moore Company, Ltd. (Toppan Moore), and foreign currency translation gains of $35 million on repatriation of its share capital investment in a Netherlands subsidiary. The gains in 1997 were offset partly by provisions of $52 million to divest unprofitable operations, particularly the European forms business which was sold in the third quarter of 1998 as part of the restructuring program.

The 1998 effective tax rate (the ratio of income taxes to earnings [losses] before taxes) of 15% represents a recovery of income taxes compared to the 1997 effective tax rate of 47%. The 1998 income tax recovery includes the impact of recording tax recoveries on the restructuring charge and other one-time charges, offset partly by not recording a recovery on the decoupling charge for the European operations. The 1997 effective tax rate was high due mainly to the impact of not recording tax recoveries on the losses incurred in the international businesses and on the provisions recorded in 1997 to divest unprofitable operations, offset partially by a low effective tax rate applicable to the foreign currency translation gains.

The net loss for 1998 was $548 million or a loss per share of $6.19, compared with 1997 net income of $55 million and earnings per share of $0.59. In 1998, the restructuring provision and other one-time transactions reduced earnings per share by $6.07 per share. In 1997, the sale of the Corporation's remaining 10% equity interest in Toppan Moore and currency gains, and the inclusion of provisions to divest unprofitable operations and to recognize realignment costs, lowered earnings per share by $0.04 per share. For the fourth quarter of 1998, net earnings of $15 million or $0.17 per share was realized compared to net earnings of $1 million or $0.01 per share in 1997. Included in the 1998 fourth quarter were one-time transactions totalling $0.05 earnings per share representing a $15 million pre-tax credit for the reduction in the restructuring provision to $615 million, and a one-time credit related to the reversal of a provision for future lease payments, net of a charge for the write-down of capitalized software costs. In the fourth quarter of 1997, realignment charges were recorded totalling $15 million or $0.12 loss per share.

RESTRUCTURING CHARGES IN 1998

In the third quarter of 1998, the Board of Directors approved a restructuring program as part of the Corporation's continuing initiative to enhance Moore's competitive position in its forms business and to strengthen its long-term prospects for profitable growth. The restructuring program is the first step in a comprehensive plan to substantially improve the Corporation's cost structure and enhance shareholder value and profitability. Accordingly, a pre-tax restructuring charge of

$630 million was recorded in the third quarter of 1998. During the fourth quarter of 1998, the restructuring provision was reduced by $15 million to $615 million. The Corporation has been successful in completing certain actions during 1998, specifically in relation to the European and Australasia forms businesses which were exited on more favourable terms than initially anticipated, and actual and planned workforce reductions at a lower cost. The pre-tax restructuring charge of $615 million includes amounts to be paid in cash of $233 million. After tax, the restructuring charge was $531 million or $6.00 loss per share. The payback period, on a cash basis, is less than two years if the cash proceeds expected from the sale of non-strategic assets are incorporated. Included in the total charge are costs related to the following actions and activities:

- Organizational Integration ($137 million). This action covers the integration of the sales and marketing, and logistics and manufacturing operations in North America. Included in the restructuring charge are costs associated with upgrading administrative and transaction processing systems to improve efficiency and responsiveness in the order-to-delivery cycle, and the creation of a shared services organization involving finance, procurement, human resources, communications, information technology and research and development resulting in workforce reductions.
- Non-Strategic Asset Elimination ($357 million). The restructuring includes the sale of certain international (European forms, Australasia and others) and certain North American businesses and a revaluation of goodwill related to certain acquisitions.
- Manufacturing Rationalization ($121 million). The Corporation is consolidating forms manufacturing operations across North America and internationally, and ceasing production of certain unprofitable products which are expected to result in the closure of ten manufacturing facilities, primarily in North America. In addition, the print centres in the United States and Canada will be integrated into the North American manufacturing and logistics organization.

Actions under the restructuring program commenced in the third quarter of 1998 immediately following the Board of Directors review on July 22, 1998, and are expected to be completed in the year 2000. The majority of the restructuring actions will be executed in 1999. By reducing manufacturing capacity and overhead costs, the Corporation expects to generate annual savings of $120 million by the year 2001.

Costs associated with the restructuring plan include non-cash costs of $382 million, and cash costs of $233 million which will be funded through normal operations and borrowings. Included in the restructuring program are charges associated with the divestiture of certain international and North American businesses, and the write-down of goodwill and property, plant and equipment. The asset write-downs of $232 million for goodwill and other assets and $150 million for property, plant and equipment represent mainly a revaluation made for selective acquisitions and property, plant and equipment, primarily to be abandoned, under the Moore North America operating segment.

The divestitures completed in 1998 and planned for 1999 accounted for sales in 1998 of $546 million and losses from operations of $17 million. In 1997, the businesses generated sales of $578 million and losses of $15 million, before $8 million of pension credits related to the United Kingdom (U.K.) pension plan.

Cash costs include mainly severance and termination benefits of $135 million to be paid to employees. Other cash costs of $98 million include costs for lease terminations, service contract buy-outs and other obligations. Severance and termination benefits charged in 1998 relate mainly to capacity rationalization, organizational delayering and other workforce reduction actions. By December 31, 1998, approximately $13 million of severance and termination benefits have been paid out to employees; future payments are expected to be funded through normal operations and borrowings.

RESTRUCTURING ACTIONS COMPLETED THROUGH DECEMBER 31, 1998

On August 1, 1998, the Corporation disposed of its European forms business resulting in a pre-tax loss of $85 million, of which $44 million was provided for in the 1998 restructuring charge, and $41 million was provided for in 1997. The Australian and New Zealand businesses were divested on December 30, 1998 resulting in a pre-tax loss of $42 million which was fully provided for in the restructuring provision. In the fourth quarter of 1998, the Corporation has taken steps to liquidate its joint ventures in China at an estimated loss of $8 million as provided for in the restructuring provision. In 1999, the Asia Pacific business segment no longer exists.

In the last six months of 1998, Moore has taken substantial steps to complete the integration of its sales and marketing, and logistics and manufacturing operations in North America resulting in the consolidation of 10 operating units into one business. The creation of the North American shared services functions has begun, including the process of streamlining administrative functions. The Corporation has closed two plants in North America, eliminated numerous management positions in its North America forms and labels operations, and commenced other workforce delayering actions. Since the third quarter of 1998, the employee base has been reduced by approximately 2,900 people due to the impact of the divestitures (2,600 employees), plant closures and other workforce reduction actions.

WORLDWIDE FORMS & LABELS (FORMS) & CUSTOMER COMMUNICATION SERVICES (CCS)

In 1998, the Corporation's sales included both Forms and CCS. Forms sales represent 72% of the Corporation's total sales compared to 76% in 1997. CCS sales represent 28% of total sales compared to 24% in 1997. Included in Forms sales are Labels and Label Systems sales of $471 million, a $106 million increase from 1997 with $100 million of the sales increase due to the acquisition of two labels businesses in 1997. Management monitors the Corporation based on five operating segments which market products and services of both Forms and CCS.

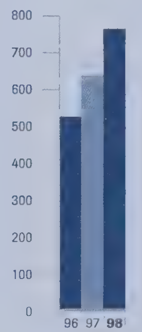
Forms sales in 1998 of $1,959 million decreased by 2% compared to sales in 1997 of $1,999 million. Excluding the impact of acquisitions made in 1997, the divestitures in 1998 of the European and the Australasia forms businesses and foreign currency fluctuations, sales declined 2% from the 1997 sales level reflecting lower forms volumes in the United States, the continued erosion in the Australasia businesses, offset partly by increased selling prices and increased volumes to financial institutions in Canada.

Forms, Print Management and Related Product Sales
(millions of dollars)

Forms operating loss in 1998 was $624 million compared with an operating profit in 1997 of $10 million. Excluding restructuring and other one-time charges in 1998 and realignment costs in 1997, the operating loss in 1998 of $35 million was worse than the 1997 profit level of $41 million. The operating loss in 1998 was due mainly to lower forms volume in the United States, expenditures to renovate information technology systems for the year 2000, and additional investments in the information technology infrastructure. The profit reductions were offset partially by the impact of actions to lower overhead costs under the restructuring program and increased selling prices in the United States forms business.

CCS sales of $759 million increased 20% from $632 million in 1997. Excluding the impact of acquiring in 1997 two direct marketing services businesses, 1998 sales increased 10% from the 1997 sales level. North American sales in 1998 of $546 million were 12% above the 1997 sales level due to an acquisition made in 1997 and double-digit volume growth in the business communications division. The international businesses sales of $213 million in 1998 were above 1997 sales of $147 million. The sales increase reflected mainly the acquisition in 1997 of Colleagues Group plc in the U.K., offset in part by a $7 million reduction due to the weakening of currencies in various international countries against the United States dollar.

Customer Communication Services Sales
(millions of dollars)



CCS operating loss in 1998 of $5 million decreased $45 million from the 1997 operating profit of $40 million. Excluding restructuring and other one-time charges in 1998, operating profit of $42 million was slightly above the 1997 profit level.

OPERATING SEGMENTS

The Corporation has five distinct operating segments in which management assesses information on a regular basis for decision making purposes.

Moore North America

Sales in 1998 of $1,621 million increased by $106 million or 7% from 1997 sales of $1,515 million. Excluding the impact of two labels businesses acquired in 1997 and the divestiture of the Rediform business in September 1998, sales were 1% above the 1997 sales level. Lower forms volumes were offset by increased selling prices and additional volumes to financial institutions.

Segment operating loss in 1998 was $449 million compared with an operating profit in 1997 of $31 million. Excluding restructuring and other one-time charges in 1998 and realignment costs in 1997, and the impact of acquisitions and divestments in 1998 and 1997, segment operating loss of $17 million was below the 1997 profit level of $58 million. The profit reduction reflected the impact of lower forms volume and excess manufacturing capacity, increased volumes of lower margin products, the inclusion of expenditures to renovate information technology systems for the year 2000, and additional investments in the information technology infrastructure, offset in part by the effect of actions taken under the restructuring program to lower overhead costs and increased selling prices.

CCS United States

CCS sales in 1998 of $520 million increased by $58 million (13%) compared to 1997 sales of $462 million. The acquisition of Phoenix Group, Inc. in 1997 contributed $22 million to the sales increase. Increased sales to existing customers and

new customer contracts contributed to 11% volume growth in the business communications services and direct marketing services businesses.

Segment operating profit of $6 million decreased by $30 million compared to operating profit in 1997 of $36 million. Included in 1998 operating profit were restructuring charges of $27 million. Excluding the restructuring costs, one-time charges and the impact of acquiring Phoenix Group, Inc. in 1997, operating profit in 1998 of $34 million was slightly below the 1997 profit level. Lower profit in the real estate information solutions business more than accounted for the profit decline in CCS.

Latin America

Latin America predominately operates in the forms market. Sales in 1998 of $194 million decreased by 6% from the 1997 sales level of $206 million. Foreign currency fluctuations accounted for the entire sales decrease due to weakening currencies in Brazil, Venezuela and Mexico against the United States dollar.

Segment operating loss for 1998 of $22 million increased by $15 million from the 1997 operating loss of $7 million. Excluding restructuring charges in 1998 of $24 million and realignment costs of $3 million in 1997, operating profit in 1998 of $2 million improved from the 1997 loss level of $4 million due mainly to actions initiated in late 1997 to lower overhead costs.

Europe

The European operations include Forms and CCS sales up to August 1, 1998, the date the Forms business was sold. From that date, only sales of the CCS businesses are ongoing and hence reflected in the financial information presented. European sales in 1998 of $275 million decreased by $23 million or 8% from 1997 sales of $298 million. Excluding the impact of the European forms divestiture, 1998 sales increased by $51 million or 23%. One acquisition made in 1997 accounted for $44 million of the sales increase. Partially offsetting the sales increase were the effects of unfavourable foreign currency movements of $2 million due to the weakening of various European currencies against the United States dollar.

Segment operating loss in 1998 of $104 million increased by $98 million from the 1997 operating loss of $6 million. Included in 1997 were pension credits related to the U.K. pension plan totalling $8 million. Excluding 1998 restructuring charges of $100 million related mainly to the sale of the European forms business, and the effects of divestments and acquisitions in 1998 and 1997, the operating loss for 1998 was slightly below the 1997 operating loss reflecting increased sales of higher margin products and the benefits of actions to lower overhead costs.

Asia Pacific

Sales in 1998 of $108 million declined by $42 million or 28% from the 1997 sales level of $150 million. The lower sales volume reflected mainly increased competitive pressures, the impact of the divestment process and the weakening of the Australian dollar against the United States dollar. Segment operating loss of $60 million in 1998 increased by $56 million from the 1997 operating loss of $4 million. Excluding 1998 restructuring charges of $51 million related to the divestiture of the Australasia forms businesses and the wind up of the China joint ventures, the operating loss in 1998 of $9 million was above the 1997 loss level of $4 million due to the lower forms volume.

YEAR 2000

The Year 2000 issue arises from the fact that many information technology systems and microprocessors use a two digit field to identify years. Such systems and processors assume that 19 precedes the two digits. Consequently, such systems and processors may malfunction when operating after, or processing dates beyond, December 31, 1999. In general, Year 2000 readiness refers to the ability of an information technology system or microprocessor to handle and process data information (including accepting date input, providing date output and performing calculations using dates before, during and after January 1, 2000) and to function accurately and without interruption or change in operations before, during, and after January 1, 2000.

The Corporation established a plan to address the impact of Year 2000 on its information technology systems and processes, including those involved in providing services to its customers, and is treating the Year 2000 issue as a business priority. During 1998, significant progress was made to prepare the Corporation's information technology systems and applications for the year 2000 according to the project plan. Management believes it can achieve the plan and the Board is monitoring progress closely. The Corporation is addressing the Year 2000 issue in four ways:

- Infrastructure upgrades and replacements for all hardware and integrated software used to operate mainframe and midrange mini computers, network devices, personal computers, routers, modems and other information technology hardware.
- Software applications (including direct interfaces with customers and suppliers) are being addressed by a combination of replacements (e.g. SAP in North America and J.D. Edwards in Europe) and legacy application Year 2000 changes. Off-the-shelf applications are being upgraded by certified Year 2000 compliant versions.
- Embedded technologies in manufactured products, proprietary technologies and facilities devices, such as elevators and air conditioning systems, are being upgraded or replaced by supplier-certified Year 2000 compliant components.
- Suppliers and major customers have been and are continuing to be asked for assurances concerning Year 2000 readiness. The Corporation expects to work with its suppliers and major customers to the extent reasonably necessary to address the Year 2000 issues which will have an impact on business continuity.

Complete inventories for infrastructure, software applications, and embedded technologies have been completed for all business units in North America and for all international operations. Inventories of suppliers have been completed, as have assessments of those identified as critical. Contingency plans are being developed as necessary and are expected to be completed during the first quarter of 1999.

Full assessments have been completed for all business unit system components. Year 2000 changes have been completed for all mission critical systems and are currently under 19xx and 20xx acceptance testing which should be completed by the end of March 1999.

A rigorous test plan is being executed to confirm that the Year 2000 plan has been achieved. The Corporation established a Year 2000 Program Office to monitor the progress of the implementation of the Year 2000 plan corporate wide. The Program Office is responsible for identifying all Year 2000 exposures and for developing the remedial plans to resolve those issues.

A Year 2000 master business continuity plan is scheduled to be completed by the end of the first quarter of 1999. The plan will be rolled out to all North American sites by June 30, 1999. The business continuity plan is intended to provide the actions, procedures and responsibilities to be taken or performed by each operating site to recover from a potential Year 2000 disruption and continue to deliver the products and services to customers.

The cost for the entire Year 2000 program is forecasted at approximately $36 million, which is funded through normal operations. Expenditures to December 31, 1998 totalled $25 million. The costs related to purchases of new software and hardware will be capitalized. Other costs will be expensed as incurred. Management believes that the cost of the Year 2000 program will not have a material adverse impact on the Corporation's business results of operations or financial condition.

The foregoing estimates of costs and the date that the Corporation expects to complete the Year 2000 program are based on management's best estimates. Actual results may differ from those anticipated as a result of certain risks and uncertainties, including but not limited to, the availability and cost of personnel trained in this area, the ability to identify and correct all relevant computer codes, and other similar factors. Management believes it can achieve its plan; however, there is no assurance that the Corporation's or its suppliers' or customers' remediation efforts will be sufficiently comprehensive to address all aspects of the Year 2000 issue, or that any such efforts will be completed on time.

MARKET RISK

The market risk inherent in the Corporation's market risk sensitive instruments and positions is the potential loss arising from adverse changes in interest rates, foreign currency exchange rates, marketable equity security prices and certain commodity prices.

For interest rates, the Corporation's major market risk exposure is changing interest rates in the United States. The Corporation has a variable rate, revolving line of credit from which it has currently drawn down $253 million. In addition, the Corporation operates a wholly-owned insurance captive which has $22 million in fixed interest investments at December 31, 1998.

As at December 31, 1998, the Corporation has forward exchange contracts to purchase or sell various currencies with a notional principal amount of $32 million. The Corporation also has $4 million of swap agreements with a financial institution to cover interest rate and foreign currency exposures. The aggregate cost to settle all contracts at December 31, 1998 is not material. The Corporation does not enter into derivative financial instruments for proprietary or other trading purposes.

Long-term market risk associated with foreign currency exchange rate fluctuations is minimized by the Corporation establishing local production facilities in the major markets served by it and invoicing customers in the same currency as the source of the products. Currency parity clauses are also included in agreements with foreign suppliers and customers. Translation exposure related to investments in the net assets of foreign operations is mitigated by minimizing the Corporation's capital contributions and financing investments with local currency debt, subject to local exchange controls and tax implications, royalties and maximizing the repatriation of earnings through inter-company dividends.

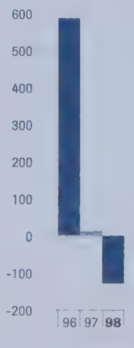
Marketable equity securities at December 31, 1998 are recorded at a cost of $17 million and have exposure to price risk.

Paper continues to be the most significant item of raw material. The price of paper is subject to fluctuations. To reduce paper price risk caused by market fluctuations, the Corporation attempts to incorporate price adjustment clauses in sales contracts. Paper price fluctuations affect mainly the forms business in North America. In addition, modest purchases of spot paper tonnage are made in order to gauge the market price of paper without jeopardizing supply to the plants.

LIQUIDITY AND CAPITAL RESOURCES

Current and future cash requirements, including debt obligations, are covered by internally generated funds and by borrowings as required. At December 31, 1998, the Corporation's cash and short-term securities of $139 million consisted of time deposits ($95 million), cash ($34 million) and other money market instruments ($10 million).

Cash (Net Debt)
(millions of dollars)



Net cash resources of $131 million decreased $65 million during 1998 from $196 million at December 31, 1997. Cash reductions include $75 million of expenditures for property, plant and equipment, $17 million for income taxes on sale of an investment, $31 million related to prior year's acquisitions, and $61 million of software expenditures. Cash increased by the sale of property, plant and equipment of $22 million, proceeds from the sale of investments ($22 million) and businesses ($13 million) and increased borrowings of $80 million. Net cash resources also improved as a result of the reduced dividend rate in 1998 that lowered the dividend payout in 1998 by $36 million compared to 1997.

Cash generated from operations of $39 million in 1998 decreased $159 million from 1997 due mainly to lower earnings, restructuring expenditures ($18 million) and an increase in working capital requirements. The additional working capital reflects mainly the impact of changing the financing arrangements related to specific customer finished goods inventory in the United States ($34 million).

The current assets to current liabilities ratio decreased to 1.0:1 in 1998 from 1.2:1 in 1997. The decrease reflected the impact of the restructuring program.

The Corporation had available unused lines of credit at December 31, 1998 of $549 million for short-term financing. In August 1998, the Corporation had arranged a $645 million credit facility with 11 financial institutions with the funds intended to finance future acquisitions and for general corporate purposes. During 1998, the Corporation has drawn on the line of credit by $125 million to repay outstanding borrowings and for general corporate purposes.

Capital expenditures were $75 million in 1998, mainly for machinery and equipment, compared with $136 million in 1997 and $120 million in 1996. Included in 1998 expenditures were $3 million of environmentally related expenditures (1997 – $8 million, 1996 – $7 million). Capital expenditures in 1999 are anticipated at about $100 million exclusive of the Corporation's further investments in its

enterprise-wide resource planning program (SAP) that began in 1997. The SAP initiative is expected to require approximately $34 million of investment in 1999.

The Corporation has an action plan to facilitate the Euro conversion implemented on January 1, 1999. Plans are currently in progress to ensure that a dual currency system is in place effective January 2002. The impact of the conversion is not expected to be material to Moore's future results of operations and financial condition.

RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET IMPLEMENTED

The Corporation will be required to adopt in future years the following recently issued accounting standards for Canadian and United States reporting purposes.

CICA s. 3465, "Accounting for Income Taxes" will be effective for fiscal year 2000. This standard establishes standards for the recognition, measurement, presentation and disclosure of income and refundable taxes in an enterprise's financial statements. The Corporation has not yet determined the impact of adopting this standard on the consolidated balance sheet, statement of earnings and statement of cash flows.

CICA s. 1540, "Cash Flow Statements" will be effective for fiscal year 1999. This standard requires the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement that classifies cash flows during the period arising from operating, investing and financing activities. The adoption of the standard is not expected to have a material impact on the Corporation's consolidated statement of changes in financial position.

SFAS No. 133, "Accounting for Derivatives and Hedging" will be effective for fiscal years beginning after June 15, 1999. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. The Corporation has not yet determined the impact that the adoption of SFAS 133 will have on its earnings or statement of cash flows. However, the Corporation does not use derivative financial instruments for trading purposes and only enters into normal commercial hedges.

RESULTS OF OPERATIONS – 1997/1996

During 1997, the Corporation acquired two companies that enhanced the strength of its global value-added labels business. In addition, the Corporation purchased two direct marketing services companies that complement its Customer Communication Services direct marketing offering. The results of each acquired company are included in the 1997 results from the relevant acquisition date.

Sales in 1997 of $2,631 million (1996 – $2,518 million) increased $113 million or 4%. Fourth quarter sales in 1997 of $747 million (1996 – $665 million) increased $82 million or 12%. Excluding the impact of acquisitions and divestments in 1997 and 1996 and foreign currency fluctuations, sales for the full year of 1997 declined by 1% and sales in the fourth quarter of 1997 increased by 3%.

Cost of sales were 67.7% of sales in 1997 compared with 66.5% in 1996; 0.6 percentage points of the increase was due to lower LIFO credits in 1997. The LIFO inventory valuation increased earnings in 1997 by $3 million due mainly to lower inventory levels, in contrast to an increase in earnings of $19 million in 1996. In the fourth quarter of 1997, the cost of sales ratio was 67.9% (1996 – 65.3%), of which 1.3 percentage points of the increase was due to $10 million of lower LIFO credits in 1997. Included in the fourth quarter of 1996 were LIFO credits of $11 million. The higher cost of sales ratio in 1997 was also due to increased price discounts offered to customers in the United States forms business during most of 1997, and lower sales volume.

Selling, general and administrative costs in 1997 were $624 million, compared to $576 million in 1996. Excluding the impact of acquisitions and divestments in 1997 and 1996, selling, general and administrative expenses were $4 million below the 1996 level. During 1997, the Corporation made further investments in the direct sales organizations of its North American businesses, offset entirely by cost reduction actions taken in the general and administrative areas. The ratio of selling, general and administrative expenses to sales in 1997 increased to 23.7%, compared with 22.9% in 1996. In the 1997 fourth quarter, the ratio increased to 24.3% or 0.8 percentage points above the 1996 fourth quarter level. Acquisitions in 1997 accounted for almost half of the full year increase and for 0.6 percentage points of the growth in the 1997 fourth quarter ratio.

During the last six months of 1997, the Corporation initiated certain actions to reduce overhead costs in the North American and Latin American businesses. The realignment actions resulted in a cost of about $32 million with a workforce reduction of almost 700 employees. The program was completed in 1998.

Capital asset amortization of $116 million in 1997 increased by $16 million, compared with $100 million in 1996, due to increased capital investments made over the past three years to upgrade the Corporation's manufacturing technologies and additional goodwill amortization of $6 million related to businesses acquired in 1997. The acquisitions made in 1997 gave rise to $350 million of goodwill resulting in annual goodwill amortization of $12 million. Assuming the acquisitions had taken place at January 1, 1997, goodwill amortization for 1997 would have been $16 million compared to $4 million in 1996.

In 1997, the Corporation invested $30 million in the development of leading-edge technologies compared with $25 million in 1996. The main research and development investments were focused on improving pressure seal self-mailers, introducing both new fraud deterrent features for negotiable documents and improved label constructions including linerless and pattern adhesive coated constructions, adding functionality to the systems used in billing statements, direct mail and export transport businesses, initiating work on the next generation system offering a more user friendly front-end, and implementing an industry standard internal file format and support for a wider range of printers. A proprietary solution for the manufacture of multiple page billing statements was also commercialized.

Income from operations for 1997 of $49 million decreased 66% from $143 million in 1996. Included in income from operations for 1997 were realignment costs of

$32 million. Before recognizing the realignment costs and the effect of acquisitions made in 1997, income from operations of the North American businesses decreased by 38% compared to 1996, reflecting the unfavourable impact of lower selling prices in the forms businesses, lower LIFO credits of $16 million and reduced volumes of selected product segments. Loss from operations, before realignment costs, in the international businesses increased to $14 million compared with losses in 1996 of $3 million due largely to lower sales volumes.

Investment and other income of $70 million in 1997 were up slightly from $69 million in 1996. In 1997, the Corporation recognized a gain of $66 million on the sale of its remaining 10% equity interest in Toppan Moore, and foreign currency translation gains of $35 million on repatriation of its share capital investment in a Netherlands subsidiary. The gains were offset partially by provisions of $52 million to divest unprofitable operations, particularly the European forms business. In addition, lower investment income was realized as funds were used to make acquisitions and a common share buy-back in 1997. In 1996, the Corporation sold its options to acquire 51% of JetForm Corporation (JetForm), resulting in a pre-tax gain of $27 million.

The 1997 effective tax rate (the ratio of income taxes to earnings before taxes) was 47% compared to 24% in 1996. The increase from 1996 reflected primarily the impact of not recording tax recoveries on the losses incurred in the international businesses and on the provisions set up in 1997 to divest unprofitable operations. The effective tax rate increase was partially offset by a low effective tax rate applicable to the foreign currency translation gains. Included in the 1996 effective tax rate was the benefit of the lower tax rate attributable to the gain on the sale of the Corporation's JetForm options.

Net earnings in 1997 were $55 million or $0.59 per share compared with 1996 net earnings of $150 million or $1.50 per share. In 1997, the sale of the Corporation's remaining 10% equity interest in Toppan Moore and currency gains, and the inclusion of provisions to divest unprofitable operations and to recognize realignment costs, reduced earnings per share by $0.04 per share. In 1996, the reduction of the Corporation's investment in JetForm resulted in an after-tax gain of $0.25 per share. For the fourth quarter of 1997, net earnings decreased to $1 million or $0.01 per share from $42 million or $0.42 per share in 1996. Included in the 1997 fourth quarter were realignment costs of $0.12 per share.

WORLDWIDE FORMS & LABELS (FORMS) & CUSTOMER COMMUNICATION SERVICES (CCS)

Sales for the Corporation include both Forms and CCS. Forms sales represented 76% of the Corporation's total sales in 1997 compared to 79% in 1996. Included in Forms sales are Labels and Label Systems sales of $365 million, a 64% increase from 1996 due entirely to the inclusion of sales totalling $144 million related to acquisitions made in mid-1997. CCS sales represented 24% of the Corporation's total sales in 1997 compared to 21% in 1996.

Sales in the traditional Forms business worldwide of $1,999 million for 1997 were slightly above 1996 sales of $1,996 million. Before considering the impact of newly acquired companies in 1997, sales declined from the 1996 level by $141 million

or 7%. Forms operating profit in 1997 of $10 million declined $99 million from the 1996 level of $109 million. Excluding the realignment costs in 1997, operating profit decreased $67 million from the 1996 level. Lower volumes in North America and internationally, increased selling price discounts offered to customers in the United States forms business, and a $16 million decrease in LIFO credits in North America contributed to the decline in 1997 operating profit.

In 1997, CCS sales of $632 million increased 21% from $522 million in 1996 due in part to the inclusion of sales from two direct marketing services businesses acquired in 1997 totalling $39 million. Volume growth in the business communication services division also accounted for the sales increase. CCS operating profit in 1997 of $40 million increased $6 million or 18% from the 1996 level of $34 million due mainly to volume growth in North America, Europe, and Latin America and the inclusion of profits from two acquisitions made in 1997. Excluding the newly acquired companies, operating profit growth over 1996 was 15%.

OPERATING SEGMENTS

Moore North America

Moore North America sales in 1997 were $1,515 million or 7% above 1996 sales of $1,422 million. Excluding acquisitions in 1997, sales were 4% below the 1996 level due mainly to increased selling price discounts offered to customers in the United States forms business and the continued erosion in the United States forms industry of selected product segments. Lower prices completely offset the effect of some large customer wins during 1997.

Segment operating profit for Moore North America in 1997 of $31 million declined $74 million from the 1996 level of $105 million. Excluding the realignment costs in 1997, operating profit decreased $46 million from the 1996 level. The lower operating profit in North America was due mainly to increased price discounts and lower volumes in the United States forms business, and a $16 million decrease in LIFO credits.

CCS United States

In 1997, CCS sales in the United States were $462 million or 21% above 1996 sales of $382 million. Included in 1997 were sales from a newly acquired direct marketing services business totalling $14 million. Excluding the acquisition, sales were 17% higher than the 1996 sales level. The increase was largely due to double-digit volume growth realized in the business communication services division reflecting increased sales to existing customers and additional contracts with new customers.

CCS segment operating profit in 1997 of $36 million decreased by $4 million from the 1996 level of $40 million. Lower profits in the real estate information solutions business accounted for most of the profit decline due mainly to the absence of one-time credits recognized in 1996.

Latin America

Sales in Latin America were $206 million or 3% below 1996 sales of $213 million. Foreign currency fluctuations accounted for 6 percentage points of the sales decrease due mainly to the weakening of currencies in Brazil, Venezuela and

Mexico against the United States dollar, offset partly by a 54% increase in label sales over 1996. Latin America's operating loss in 1997 was $7 million compared to the 1996 operating loss of $1 million.

Europe

Sales in Europe of $298 million in 1997 were slightly below the 1996 level of $302 million. Included in 1997 sales were the sales of Colleagues Group plc, a newly acquired direct marketing services business. Excluding the acquisition, sales were 10% below the 1996 level. The moderate sales growth for CCS was offset entirely by the effects of unfavourable foreign currency movements of $29 million compared to 1996, due to the weakening of various European currencies in 1997 against the United States dollar. Europe's operating loss in 1997 of $6 million increased by $2 million from the 1996 operating loss of $4 million.

Asia Pacific

Sales in Asia Pacific were $150 million or 25% below the 1996 level of $199 million due to increased competitive pressures, the weakening of the Australian dollar against the United States dollar and the divestment of selected product groups in late 1996. Segment operating loss in Asia Pacific in 1997 of $4 million represented a decrease of $6 million from the 1996 operating profit of $2 million.

Forward-Looking Statements

The Corporation includes certain estimates, projections and other forward-looking statements in its reports, in presentations to analysts and others, and in filings with Securities Regulators. Such statements are based on current expectations and involve a number of assumptions, and known and unknown risks and uncertainties that could cause the actual results to differ materially from estimates or projections contained in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements and any such statement is qualified by reference to the following cautionary statements. Factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, without limitations, the following: the successful completion of the restructuring program announced in 1998 within the timeframe anticipated to execute the respective restructuring actions, the timely resolution of Year 2000 issues according to the Corporation's master project plan and by the Corporation's customers and suppliers, the effect of paper price fluctuations on the Corporation's forms operations, the impact of foreign currency fluctuations in the Latin American countries in which the Corporation operates, and other risks described from time to time in the Corporation's periodic filings with Securities Regulators. The Corporation is not required to publicly release any changes to these forward-looking statements for events occurring after the date hereof, or to reflect other unanticipated events.

Consolidated Balance Sheet

AS AT DECEMBER 31 EXPRESSED IN UNITED STATES CURRENCY IN THOUSANDS OF DOLLARS	1998	1997
ASSETS		
Current assets:		
Cash and short-term securities	$ 138,575	$ 227,118
Accounts receivable, less allowance for doubtful accounts of $14,212 (1997 – $9,962)	479,086	476,059
Inventories (Note 2)	176,650	195,263
Prepaid expenses	23,591	26,275
Deferred income taxes	76,441	40,363
Total current assets	894,343	965,078
Property, plant and equipment:		
Land	24,743	27,390
Buildings	218,204	255,588
Machinery and equipment	1,027,251	1,197,680
	1,270,198	1,480,658
Less: Accumulated depreciation	804,000	844,888
	466,198	635,770
Investments (Note 3)	20,011	26,397
Other assets (Note 4)	345,583	547,327
Total assets	$ 1,726,135	$ 2,174,572
LIABILITIES		
Current liabilities:		
Bank loans	$ 7,604	$ 31,139
Accounts payable and accruals (Note 5)	641,649	568,882
Short-term debt (Note 6)	256,397	136,275
Dividends payable	4,423	20,786
Income taxes	30,961	33,372
Total current liabilities	941,034	790,454
Long-term debt (Note 7)	4,841	49,109
Deferred income taxes and liabilities (Note 8)	154,269	131,706
Equity of minority shareholders in subsidiary corporations	15,846	17,691
Total liabilities	1,115,990	988,960
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	310,881	310,765
Unrealized foreign currency translation adjustments (Note 10)	(105,878)	(112,218)
Retained earnings	405,142	987,065
	610,145	1,185,612
Total liabilities and shareholders' equity	$ 1,726,135	$ 2,174,572

Approved by the Board of Directors:

Thomas E. Kierans
CHAIRMAN OF THE BOARD

W. Ed Tyler
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Consolidated Statement of Earnings

FOR THE YEAR ENDED DECEMBER 31 EXPRESSED IN UNITED STATES CURRENCY AND, EXCEPT EARNINGS (LOSS) PER SHARE, IN THOUSANDS OF DOLLARS	1998	1997	1996
Sales	**$ 2,717,702**	$ 2,631,014	$ 2,517,673
Cost of sales	**1,891,249**	1,780,010	1,673,836
Selling, general and administrative expenses	**697,325**	623,868	576,228
Provision for restructuring costs (Note 16)	**615,000**	–	–
Realignment costs (Note 17)	**–**	32,000	–
Capital asset amortization	**117,808**	115,830	99,575
Research and development expense	**26,820**	29,895	25,426
	3,348,202	2,581,603	2,375,065
Income (loss) from operations	**(630,500)**	49,411	142,608
Investment and other income (Notes 3 and 13)	**6,961**	69,931	69,402
Interest expense (Note 13)	**19,054**	14,197	11,760
Unrealized exchange adjustments	**325**	879	1,054
Earnings (loss) before income taxes and minority interests	**(642,918)**	104,266	199,196
Income tax expense (recovery) (Note 18)	**(94,330)**	49,171	48,570
Minority interests	**(722)**	(4)	703
Net earnings (loss)	**$ (547,866)**	$ 55,099	$ 149,923
Net earnings (loss) per common share (Note 19)	**$ (6.19)**	$ 0.59	$ 1.50
Average shares outstanding (in thousands)	**88,456**	93,200	99,967

Consolidated Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31 EXPRESSED IN UNITED STATES CURRENCY IN THOUSANDS OF DOLLARS	1998	1997	1996
Balance at beginning of year	**$ 987,065**	$ 1,243,714	$ 1,187,974
Net earnings (loss)	**(547,866)**	55,099	149,923
	439,199	1,298,813	1,337,897
Dividends 38.5¢ per share (94¢ in 1997 and in 1996)	**34,057**	85,830	94,183
Repurchase of common shares (Note 9)	**–**	225,918	–
Balance at end of year	**$ 405,142**	$ 987,065	$ 1,243,714

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31 EXPRESSED IN UNITED STATES CURRENCY IN THOUSANDS OF DOLLARS	1998	1997	1996
OPERATING ACTIVITIES			
Net earnings (loss)	$ (547,866)	$ 55,099	$ 149,923
Items not affecting cash resources:			
Capital asset amortization (a)	119,934	118,380	102,436
Loss (gain) on sale of property, plant and equipment	(4,671)	573	(2,361)
Equity in loss of associated corporations	775	217	380
Gain on sale of investments	(14,973)	(67,095)	(26,947)
Gain on sale of business	(4,698)	–	–
International divestiture provisions	–	51,175	–
Provision for restructuring costs, net of cash	596,719	–	–
Deferred income taxes	(73,410)	9,963	3,346
Other	15,234	(15,865)	2,344
	634,910	97,348	79,198
Decrease (increase) in working capital other than cash resources:			
Accounts receivable	(3,027)	(28,465)	29,422
Inventories	18,613	(26,036)	22,604
Accounts payable and accruals	(82,340)	125,653	(15,374)
Income taxes	22,515	4,156	15,300
Deferred income taxes	7,676	(18,185)	14,718
Other	(11,958)	(11,237)	(5,688)
	(48,521)	45,886	60,982
Total	$ 38,523	$ 198,333	$ 290,103
INVESTING ACTIVITIES			
Expenditure for property, plant and equipment	$ (75,449)	$ (136,302)	$ (119,574)
Sale of property, plant and equipment	22,346	4,335	12,063
Decrease (increase) in long-term receivables	4,903	(654)	4,050
Acquisition of businesses	(31,267)	(309,054)	(47,172)
Disposal of businesses	13,167	500	11,661
Proceeds from sale of investments	21,629	97,761	33,418
Taxes on sale of an investment	(16,519)	–	(80,057)
Investment in associated corporations	–	(1,813)	(4,248)
Software expenditures	(60,717)	(33,134)	(11,618)
Other	(9,857)	(10,311)	(24,814)
Total	$ (131,764)	$ (388,672)	$ (226,291)
FINANCING ACTIVITIES			
Dividends	$ (50,420)	$ (85,830)	$ (94,183)
Repurchase of common shares	–	(267,396)	–
Addition to debt	141,695	131,001	19,951
Reduction in debt	(61,871)	(46,071)	(25,726)
Other	(835)	1,814	958
Total	$ 28,569	$ (266,482)	$ (99,000)
Decrease in cash resources before unrealized exchange adjustments	$ (64,672)	$ (456,821)	$ (35,188)
Unrealized exchange adjustments	(336)	(1,374)	(1,972)
Decrease in cash resources	(65,008)	(458,195)	(37,160)
Cash resources at beginning of year (b)	195,979	654,174	691,334
Cash resources at end of year (b)	$ 130,971	$ 195,979	$ 654,174

(a) Includes depreciation that has been classified in research and development expense.
(b) Cash resources are defined as cash and short-term securities less bank loans.

1. SUMMARY OF ACCOUNTING POLICIES

Accounting principles:

Moore Corporation Limited is incorporated under the laws of the Province of Ontario, Canada.

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada.

Principles of consolidation:

The financial statements of entities which are controlled by the Corporation, referred to as subsidiaries, are consolidated; entities which are jointly controlled are proportionately consolidated; entities which are not controlled and which the Corporation has the ability to exercise significant influence over are accounted for using the equity method; and investments in other entities are accounted for using the cost method.

Translation of foreign currencies:

The consolidated financial statements are expressed in United States currency because a significant part of the net assets and earnings are located or originate in the United States. Except for the foreign currency financial statements of subsidiaries in countries with highly inflationary economies, Canadian and other foreign currency financial statements have been translated into United States currency on the following bases: all assets and liabilities at the year-end rates of exchange; income and expenses at average exchange rates during the year.

Net unrealized exchange adjustments arising on translation of foreign currency financial statements are charged or credited directly to shareholders' equity and shown as unrealized foreign currency translation adjustments.

Realized exchange losses or gains are included in earnings. Unrealized exchange losses or gains related to monetary items with a fixed or ascertainable life extending beyond the end of the following fiscal year are deferred and amortized over the remaining life of the asset or liability.

The foreign currency financial statements of subsidiaries in countries with highly inflationary economies are translated into United States currency using the temporal method whereby monetary items are translated at current rates of exchange, and non-monetary items are translated at historical rates of exchange.

Financial instruments:

The Corporation enters into forward exchange contracts to manage exposures resulting from foreign exchange fluctuations in the ordinary course of business. The contracts are normally for terms up to six months and are used as hedges of foreign denominated revenue streams, costs and loans. The unrealized gains and losses on outstanding contracts are offset against the gains and losses of the hedged item at the maturity of the underlying transactions.

Short-term securities consist of investment grade, highly liquid instruments of highly rated governments, financial institutions and corporations.

Unless disclosed otherwise in the notes to the consolidated financial statements, the estimated fair value of financial assets and liabilities approximates carrying value.

Inventories:

Inventories of raw materials and work in process are valued at the lower of cost and replacement cost and inventories of finished goods at the lower of cost and net realizable value. The cost of the principal raw material inventories and the raw material content of finished goods inventories in the United States is determined on the last-in, first-out basis. The cost of all other inventories is determined on the first-in, first-out basis.

Property, plant and equipment and depreciation:

Property, plant and equipment are stated at historical cost after deducting investment tax credits and other grants on eligible capital assets. Depreciation is provided on a basis that will amortize the cost of depreciable assets over their estimated useful lives using the straight-line method. All costs for repairs and maintenance are expensed as incurred.

The estimated useful lives of buildings range from 20 to 50 years and of machinery and equipment from 3 to 17 years.

Gains or losses on the disposal of property, plant and equipment are included in investment and other income, and the cost and accumulated depreciation related to these assets are removed from the accounts.

Goodwill:

The estimated useful life of goodwill arising from acquisitions is determined based on the particular circumstances of each investment. Goodwill is amortized on a straight-line basis over its estimated useful life, not exceeding 40 years. On an annual basis, the Corporation reviews the valuation and amortization of goodwill, including any events and circumstances which may have impaired the carrying value. The evaluation for impairment of goodwill is determined by assessing recoverability based on undiscounted future earnings and cashflows of the related business. Any permanent impairment in the value of goodwill is written off against earnings.

Amortization of deferred charges:

Deferred charges include certain costs to acquire and develop computer software which are amortized over periods deemed appropriate to match expenses with the related revenues, up to a maximum of seven years.

Income taxes:

Income taxes are accounted for on the tax allocation basis which relates income taxes to the accounting income for the year.

No provision has been made for taxes on undistributed earnings of subsidiaries not currently available for paying dividends as such earnings have been reinvested in the business.

Use of estimates:

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and, as such, include estimates and assumptions of management that affect the amounts reported in the consolidated financial statements. Actual results could differ from these estimates.

2. INVENTORIES

IN THOUSANDS	1998	1997
Raw materials	$ 42,175	$ 52,584
Work in process	17,620	23,048
Finished goods	112,248	114,584
Other	4,607	5,047
	$ 176,650	$ 195,263

The excess of the current cost over the last-in, first-out cost of those inventories is approximately $16,824,000 at December 31, 1998 (1997 – $19,956,000).

3. INVESTMENTS

IN THOUSANDS	1998	1997
Accounted for on the cost basis:		
JetForm Corporation	$ 17,291	$ 17,291
Other	–	5,827
	17,291	23,118
Accounted for on the equity basis:	2,720	3,279
	$ 20,011	$ 26,397

In 1998, the Corporation sold its 37.3% equity interest in Cordant Holdings Corporation.

The fair value of investments accounted for on the cost basis is approximately $31,000,000 as at December 31, 1998 (1997 – $39,000,000). Fair value is calculated by reference to quoted market prices.

4. OTHER ASSETS

IN THOUSANDS	1998	1997
Prepaid pension cost	$ 28,251	$ 62,570
Goodwill, net of write-downs and accumulated amortization of $233,899 (1997 – $51,524)	173,736	370,471
Computer software, net of accumulated amortization of $21,859 (1997 – $5,644)	93,664	51,075
Notes receivable	7,685	11,183
Other long-term receivables	4,148	6,690
Long-term bonds	27,907	26,671
Other	10,192	18,667
	$ 345,583	$ 547,327

5. ACCOUNTS PAYABLE AND ACCRUALS

IN THOUSANDS	1998	1997
Trade accounts payable	$ 154,278	$ 200,240
Other payables	98,611	104,897
	252,889	305,137
Accrued payroll costs	47,333	41,673
Accrued employee benefit costs	20,374	24,048
Provision for restructuring costs	199,180	–
International divestiture provisions	–	43,048
Realignment costs	–	21,920
Other accruals	121,873	133,056
	388,760	263,745
	$ 641,649	$ 568,882

6. SHORT-TERM DEBT

The weighted average interest rate on short-term debt outstanding as of December 31, 1998 was 5.9% (1997 – 5.9%).

The unused lines of credit outstanding at December 31, 1998, for short-term financing are $548,481,000 (1997 – $1,148,549,000).

7. LONG-TERM DEBT

IN THOUSANDS	1998	1997
Moore Business Systems Australia Limited	$ –	$ 26,072
Moore de Mexico Holdings, S.A. de C.V.	–	14,528
Secured loans	**2,077**	2,968
Capital lease commitments	**813**	2,566
Unsecured loans	**1,951**	2,975
	$ 4,841	$ 49,109

On November 25, 1998, the bank loans outstanding for both Moore Business Systems Australia Limited and Moore de Mexico Holdings, S.A. de C.V. were fully repaid. The other long-term debt bears interest at rates ranging from 2.5% to 12% and matures on various dates to 2006. Loans of other subsidiaries amounting to $2,960,000 (1997 – $5,139,000) are payable in currencies other than United States dollars.

The net book value of assets subject to lien approximates $21,000,000 (1997 – $15,000,000). The liens are primarily mortgages against property, plant and equipment and pledges of accounts receivable, inventory, and other current assets.

Amounts of $3,401,000 (1997 – $3,024,000) of long-term debt due within one year are included in current liabilities. For the years 2000 through 2003, payments required on long-term debt are as follows: 2000 – $1,484,000; 2001 – $470,000; 2002 – $291,000; and 2003 – $291,000.

8. DEFERRED INCOME TAXES AND LIABILITIES

Non-current deferred income taxes amount to $42,305,000 (1997 – $63,880,000).

Deferred liabilities include $29,148,000 (1997 – $41,489,000) for pensions under various retirement plans (Note 11) and $65,230,000 related to the provision for restructuring costs.

9. SHARE CAPITAL

The Corporation's articles of incorporation provide that its authorized share capital be divided into an unlimited number of common shares without par value and an unlimited number of preference shares without par value, issuable in one or more series. The preference shares are non-voting except on arrears of dividends.

Changes in the issued common share capital

	SHARES ISSUED	AMOUNT (IN THOUSANDS)
Balance, December 31, 1995	99,876,543	$ 342,170
Exercise of executive stock options	126,020	2,115
Dividend Reinvestment and Share Purchase Plan	34,253	643
Employee awards	2,250	40
Balance, December 31, 1996	100,039,066	344,968
Share repurchase	(11,999,996)	(41,478)
Exercise of executive stock options	407,420	7,220
Employee awards	2,650	55
Balance, December 31, 1997	88,449,140	310,765
Exercise of executive stock options	**4,700**	**69**
Employee awards	**3,100**	**47**
Balance, December 31, 1998	**88,456,940**	**$ 310,881**

On May 30, 1997, the Corporation repurchased 11,999,996 of its common shares at an average purchase price of CDN$30.50 per share (equivalent to US$22.28 per share) for a total cash consideration of $267,395,698.

The Corporation has a long-term incentive program under which stock options and restricted stock awards may be granted to certain key employees. As at December 31,1998, no common shares were available for grants (1997 – 1,483,000). The exercise price under all options is the fair market value of the shares covered by the option on the day prior to the date of grant. Options granted generally vest at 20% per annum from the date of grant except for options granted in July, 1998 which vest in four years or, on the attainment of targeted performance measures, at 25% per annum. Upon retirement all options become vested and are eligible for exercise for five years after the date of retirement. The options expire not more than 10 years from the date granted.

The Corporation has a shareholders' rights plan (Rights Plan), the terms and conditions of which are set out in the Shareholders' Rights Plan Agreement dated as of April 12, 1995. The Rights Plan was adopted to provide the Corporation with sufficient time, in the event of a public takeover bid or tender offer for the Corporation's common shares, to pursue alternatives to enhance shareholder value. All holders of Rights, with the exception of such acquiring person or group, are entitled to purchase from the Corporation upon payment of an exercise price of CDN$120.00 the number of additional common shares that can be purchased for twice the exercise price, based on the market value of the Corporation's common shares at the time the Rights become exercisable. The Rights Plan expires in April, 2000.

During the year, the Corporation issued share units as employee stock based compensation equivalent to 407,629 common shares. Share units are exercisable for either cash or common shares and as at December 31, 1998, 285,414 share units are exercisable and the remainder vest over periods up to three years.

During 1998, the Corporation purchased for cancellation a total of 1,182,940 options, all with the consent of the stock exchanges on which the Corporation's common shares are listed.

The Board of Directors awarded 3,100 (1997 – 2,650) common shares to employees in 1998.

In 1998, the total cost of stock based employee compensation awards was $4,502,000 (1997 - $55,000; 1996 - $40,000).

As at December 31, 1998, there were no issued preference shares.

A summary of the Corporation's stock option activity for the three years ended December 31, 1998, is presented below (in Canadian currency):

	1998		1997		1996	
	SHARES	WEIGHTED -AVERAGE EXERCISE PRICE	SHARES	WEIGHTED -AVERAGE EXERCISE PRICE	SHARES	WEIGHTED -AVERAGE EXERCISE PRICE
Options outstanding at beginning of year	5,083,800	$ 26.97	5,219,960	$ 26.54	4,323,700	$ 26.55
Options granted	3,173,906	18.38	1,664,800	27.99	1,527,000	29.36
Options lapsed	(1,636,080)	24.27	(1,185,640)	26.67	(469,300)	27.52
Options exercised	(4,700)	20.94	(407,420)	24.42	(126,020)	22.81
Options cancelled	(1,184,140)	26.62	(19,800)	25.51	(35,420)	22.59
Options expired	(151,100)	28.56	(188,100)	31.88	–	–
Options outstanding at year-end	5,281,686	$ 27.88	5,083,800	$ 26.97	5,219,960	$ 26.54
Options exercisable at year-end	1,338,492	$ 25.51	2,000,228	$ 27.01	2,295,619	$ 27.26

The following table summarizes information about stock options outstanding at December 31, 1998 (in Canadian currency):

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT DECEMBER 31, 1998	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT DECEMBER 31, 1998	WEIGHTED-AVERAGE EXERCISE PRICE
$14 to 17	359,506	9.7	$ 15.16	150,000	$ 14.99
$18 to 23	2,898,200	9.3	19.04	115,200	21.37
$24 to 30	1,908,980	6.9	27.09	958,292	26.52
$31 to 35	115,000	0.8	34.88	115,000	34.88
$14 to 35	5,281,686	8.3	$ 27.88	1,338,492	$ 25.51

10. UNREALIZED FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

IN THOUSANDS	1998	1997	1996
Balance at beginning of year	**$ (112,218)**	$ (38,863)	$ (41,974)
Translation adjustments related to net assets of foreign operations	**(6,402)**	(15,170)	3,111
Amounts transferred to income on sale or liquidation of foreign operations	**12,742**	(58,185)	–
Balance at end of year	**$ (105,878)**	$ (112,218)	$ (38,863)

The translation adjustments for each year result from the variation from year to year in rates of exchange at which foreign currency net assets are translated to United States currency.

During 1998, foreign currency translation losses relate to the dispositions of the European and Australasian forms and labels businesses. In 1997, foreign currency translation gains were realized on repatriation of the Corporation's share capital investment in a Netherlands subsidiary and on the sale of its remaining equity interest in Toppan Moore Company Ltd.

11. RETIREMENT PROGRAMS

Defined benefit pension plans

The Corporation and its subsidiaries have several programs covering substantially all of the employees in Canada, the United States, Puerto Rico and the United Kingdom.

The following data is based upon reports from independent consulting actuaries as at December 31:

	CANADA			UNITED STATES			INTERNATIONAL		
IN THOUSANDS	**1998**	1997	1996	**1998**	1997	1996	**1998**	1997	1996
Funded Status									
Actuarial present value of:									
Projected benefit obligation at beginning of year	**$ 67,513**	$ 72,048	$ 71,318	**$ 569,944**	$ 585,153	$ 683,025	**$ 69,208**	$ 79,268	$ 76,795
Service cost	**2,279**	1,922	1,919	**12,095**	12,186	12,399	**3,229**	2,635	2,855
Interest cost	**5,269**	5,763	5,901	**48,579**	48,490	46,831	**5,541**	5,693	5,691
Amendments	**(1,472)**	–	–	**10,393**	(45,315)	7,962	**18,563**	–	–
Actuarial loss (gain)	**4,583**	(2,805)	(1,078)	**34,504**	9,384	(125,587)	**2,330**	(5,943)	(1,791)
Effect of settlement	**–**	–	–	**–**	–	–	**48,766**	–	–
Effect of dispositions	**–**	–	–	**–**	–	–	**(16,006)**	–	–
Foreign currency exchange rate changes	**(4,638)**	(2,945)	(222)	**–**	–	–	**468**	(5,218)	6,864
Benefits paid	**(5,449)**	(6,470)	(5,790)	**(39,106)**	(39,954)	(39,477)	**(10,719)**	(7,227)	(11,146)
Projected benefit obligation at end of year	**$ 68,085**	$ 67,513	$ 72,048	**$ 636,409**	$ 569,944	$ 585,153	**$121,380**	$ 69,208	$ 79,268
Plan assets at fair value at beginning of year	**$ 106,747**	$ 99,942	$ 88,249	**$ 784,281**	$ 694,125	$ 597,502	**$150,466**	$ 143,540	$ 124,947
Actual return on assets	**956**	17,784	17,800	**100,723**	127,360	117,826	**15,206**	21,203	13,236
Foreign currency exchange rate changes	**(6,929)**	(4,509)	(315)	**–**	–	–	**798**	(8,896)	14,427
Effect of dispositions	**–**	–	–	**–**	–	–	**(15,986)**	–	–
Employer contribution	**–**	–	–	**–**	2,750	18,274	**920**	1,846	2,076
Benefits paid	**(5,449)**	(6,470)	(5,792)	**(39,106)**	(39,954)	(39,477)	**(10,719)**	(7,227)	(11,146)
Plan assets at fair value at end of year	**$ 95,325**	$ 106,747	$ 99,942	**$ 845,898**	$ 784,281	$ 694,125	**$140,685**	$ 150,466	$ 143,540
Excess of plan assets over projected benefit obligation	**$ 27,240**	$ 39,234	$ 27,894	**$ 209,489**	$ 214,337	$ 108,972	**$ 19,305**	$ 81,258	$ 64,272
Unrecognized net gain	**(13,891)**	(26,692)	(14,775)	**(210,090)**	(215,790)	(170,488)	**(3,472)**	(27,526)	(20,924)
Unrecognized net asset	**(1,763)**	(2,832)	(3,940)	**(6,106)**	(9,154)	(12,203)	**–**	(1,214)	(4,061)
Unrecognized prior service cost (credit)	**623**	2,370	2,764	**(5,251)**	(12,645)	39,859	**236**	(2,992)	3,641
Prepaid (accrued) pension cost included in consolidated balance sheet	**$ 12,209**	$ 12,080	$ 11,943	**$ (11,958)**	$ (23,252)	$ (33,860)	**$ 16,069**	$ 49,526	$ 42,928

	CANADA			UNITED STATES			INTERNATIONAL		
IN THOUSANDS	**1998**	1997	1996	**1998**	1997	1996	**1998**	1997	1996
Pension Expense									
Service cost	**$ 2,279**	$ 1,922	$ 1,919	**$ 12,095**	$ 12,186	$ 12,399	**$ 3,229**	$ 2,635	$ 2,855
Interest cost	**5,269**	5,763	5,901	**48,579**	48,490	46,831	**5,541**	5,693	5,691
Expected return on assets	**(7,205)**	(7,335)	(7,074)	**(63,114)**	(60,977)	(53,029)	**(11,420)**	(11,887)	(11,520)
Settlement loss	**–**	–	–	**–**	–	–	**48,766**	–	–
Amortization of net loss (gain)	**(562)**	(316)	71	**(8,804)**	(8,413)	(6,490)	**(31,693)**	(1,541)	(2,528)
Amortization of net asset	**(910)**	(974)	(989)	**(3,048)**	(3,048)	(3,048)	**(1,139)**	(2,464)	(2,491)
Amortization of prior service cost	**171**	287	268	**2,997**	3,904	5,310	**21,265**	591	1,249
Net pension expense (credit)	**$ (958)**	$ (653)	$ 96	**$ (11,295)**	$ (7,858)	$ 1,973	**$ 34,549**	$ (6,973)	$ (6,744)
Other Information									
Assumptions:									
Discount rates									
January 1	**8.0%**	8.5%	8.5%	**8.0%**	8.5%	8.5%	**8.3%**	8.1%	8.1%
December 31	**8.0%**	8.5%	8.5%	**8.0%**	8.5%	8.5%	**8.3%**	8.2%	8.0%
Rate of return on plan assets	**8.0%**	8.5%	8.5%	**9.0%**	9.5%	9.5%	**8.3%**	8.2%	9.1%
Rate of compensation increase	**5.0%**	5.5%	5.5%	**5.0%**	5.5%	5.5%	**5.0%**	7.3%	6.8%
Amortization period	**15 years**	15 years	15 years	**13 years**	14 years	14 years	**10 years**	11 years	11 years

As a result of the disposition of the Australasia forms and labels business on December 30, 1998, the Corporation eliminated its obligation with respect to the Australia and New Zealand plans. In addition, a contingent loss of $31,000,000 has been recognized as a result of the Corporation's intention to partially settle the obligation of the United Kingdom plan. Included in net pension expense in the above table is $31,000,000 classified as provision for restructuring costs in the statement of earnings.

In some subsidiaries, where either state or funded retirement plans exist, there are certain small supplementary unfunded plans. Pensionable service prior to establishing funded contributory retirement plans in other subsidiaries, covered by former discretionary non-contributory retirement plans, was assumed as a prior service obligation. In addition, the Corporation has entered into retiring allowance and supplemental retirement agreements with certain senior executives. The deferred liability for pensions at December 31, 1998 referred to in Note 8, includes the unfunded portion of this prior service obligation and the supplementary unfunded plans.

All of the retirement plans are non-contributory. Retirement benefits are generally based on years of service and employees' compensation during the last years of employment. The Corporation introduced "Total Retirement Planning" to employees in the United States effective July 1, 1997, and in Canada effective January 1, 1998. This program, which modifies the existing two components of the retirement program, the Retirement Income Plan and the Savings Plan, provides a retirement benefit more closely linked to the performance of the Corporation. For employees nearing retirement age, the option exists to remain covered under the current retirement arrangement.

At December 31, 1998, approximately 73% of the United States' plan's assets, about 60% of the Canadian plan's assets and approximately 87% of the international plan's assets were held in equity securities with the remaining portion of the asset funds being mainly fixed income securities. The Corporation's funding policy is to satisfy the funding standards of the regulatory

authorities and to make contributions in order to provide for the accumulated benefit obligation and current service cost. To the extent that pension obligations are fully covered by existing assets, a contribution may not be made in a particular year.

Defined contribution pension plan

Savings plans are maintained in Canada, the United States and the United Kingdom. Only the savings plan in the United Kingdom requires company contributions for all employees who are eligible to participate in the retirement plans. These annual contributions consist of a retirement savings benefit contribution ranging from 1% to 3% of each year's compensation depending upon age. For all savings plans, if an employee contribution is made, a portion of such contribution may be eligible for a contribution match by the Corporation. In the aggregate, the defined contribution pension plan expenses were $6,681,000 (1997 – $5,955,000; 1996 – $5,798,000).

12. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the Corporation and its United States subsidiary provide retired employees with health care and life insurance benefits. The cost of these health care and life insurance benefits is recognized as an expense as incurred. In 1998, the cost of these benefits was approximately $12,878,000 (1997 – $11,548,000; 1996 – $13,390,000).

13. CONSOLIDATED STATEMENTS OF EARNINGS INFORMATION

IN THOUSANDS	1998	1997	1996
Interest expense			
Interest on long-term debt	$ 2,219	$ 3,568	$ 5,834
Other interest	16,835	10,629	5,926
	$ 19,054	$ 14,197	$ 11,760
Investment and other income			
Interest on short-term investments	$ 8,368	$ 24,190	$ 37,968
Equity in loss of associated corporations	(775)	(217)	(380)
Gain on sale of equity interest in Cordant Holdings Corporation	14,973	–	–
Gain on sale of the Rediform business	4,698	–	–
Write-off of warehouse software investment	(7,697)	–	–
European decoupling provision	(8,000)	–	–
Gain on sale of equity interest in Toppan Moore	–	66,470	–
Gain on reduction of investment in European subsidiary	–	35,184	–
International divestiture provisions	–	(51,500)	–
Gain on sale of options in JetForm Corporation	–	–	26,947
Costs related to the proposed acquisition of Wallace Computer Services Inc.	–	–	(4,320)
Gain (loss) on sale of property, plant and equipment	4,671	(573)	2,361
Miscellaneous	(9,277)	(3,623)	6,826
	$ 6,961	$ 69,931	$ 69,402
Other expenses			
Rent	$ 57,084	$ 60,857	$ 60,370
Repairs and maintenance	51,596	55,384	54,128
Retirement programs	33,237	(395)	5,464
Goodwill amortization and write-offs	182,375	18,919	3,933
Computer software amortization and write-offs	16,215	3,642	1,824

14. ACQUISITIONS

During 1997, the Corporation acquired 100% of the following companies for a total consideration of $370,414,000. There were no acquisitions made during 1998. The following information is provided for comparative purposes.

COMPANY	NATURE OF BUSINESS	ACQUISITION DATE
1997		
The Peak Technologies Group Inc.	Systems integrator of bar code-based data capture systems in North America and Europe	May 1997
United Ad Label Co., Inc.	Manufacturer and distributor of pressure sensitive labels in the United States	May 1997
Phoenix Group, Inc.	Provider of direct marketing services in the United States and Europe	July 1997
Colleagues Group plc	Provider of direct marketing services in the United Kingdom	August 1997

IN THOUSANDS	1997
Financial summary of these acquisitions is as follows:	
Net assets acquired:	
Fixed assets	$ 20,306
Goodwill	350,325
Working capital	33,029
Other assets	3,520
Long-term debt	(33,853)
Other liabilities	(2,913)
Total acquisition cost	$ 370,414
Consideration given:	
Cash and other	$ 350,414
Payable over the next 2 years	20,000
	$ 370,414

The acquisitions have been accounted for by the purchase method, with the results of operations included in income from the acquisition dates. Goodwill is amortized over 30 years.

The following is unaudited proforma consolidated results of operations for the years shown, assuming the acquisitions had taken place at the beginning of the respective periods presented:

IN THOUSANDS, EXCEPT PER SHARE AMOUNTS	1997	1996
Revenue	$ 2,789,712	$ 2,849,136
Net income	46,347	125,313
Earnings per share	0.50	1.25

This unaudited proforma information does not purport to be indicative of the results that actually would have been obtained if the operations were combined during the periods presented, and is not intended to be a projection of future results or trends.

15. DISPOSITIONS

During 1998, the Corporation sold the following businesses for cash consideration of $24 million, annual fees for use of certain technologies and services, and contingent proceeds in the future based on realizing specific financial targets.

COMPANY	NATURE OF BUSINESS	DISPOSITION DATE
Copynomie	Outsourcing of facilities management services in the Netherlands	April 1998
European Forms and Labels	Manufacturer of forms and labels for customers located in the United Kingdom and Continental Europe	August 1998
Rediform	Manufacturer and distributor of stock business forms and supplies	September 1998
Australasia Forms and Labels	Manufacturer of forms and labels located in Australia, New Zealand and Papua New Guinea	December 1998

Included in the Corporation's results of operations for 1998 are sales of $227 million (1997 – $359 million) and losses from operations of $12 million (1997 – $5 million) from the divested businesses. The loss before taxes of $3 million on the sale of the Copynomie business was fully provided for in investment and other income in 1997. The loss before taxes of $85 million on the sale of the European forms and labels business was fully provided for; $44 million included in the provision for restructuring costs for 1998, and $41 million in investment and other income for 1997. The $5 million before-tax gain in 1998 on sale of the Rediform business is recorded in investment and other income. The loss before taxes of $42 million on the sale of the Australasia forms and labels business was fully provided for in the restructuring provision for 1998.

16. PROVISION FOR RESTRUCTURING COSTS

On July 22, 1998, the Corporation announced a restructuring plan directed at reducing costs and restoring profitability to the forms business, and increasing profitability of the Customer Communication Services businesses. The key restructuring actions include:

- Organizational Integration ($137 million) – integration of the sales and marketing, and logistics and manufacturing operations in North America.
- Non-Strategic Asset Elimination ($357 million) – sale of certain international and North American businesses and revaluation of goodwill related to certain acquisitions.
- Manufacturing Rationalization ($121 million) – consolidation of forms manufacturing operations across North America and the exiting of certain unprofitable products.

The restructuring program resulted in a pre-tax charge of $615 million or $531 million after tax. The cash cost of restructuring after tax is approximately $149 million.

The following table summarizes the activity in the restructuring reserve during the year:

	SELLING, GENERAL & ADMINISTRATIVE		MANUFACTURING				
IN MILLIONS	TERMINATION BENEFITS	OTHER CASH COSTS	TERMINATION BENEFITS	OTHER CASH COSTS	TOTAL CASH COSTS	NON-CASH COSTS	TOTAL PROVISION
Restructuring provision	$ 105	$ 60	$ 42	$ 55	$ 262	$ 368	$ 630
Adjustments	(9)	(3)	(3)	(14)	(29)	14	(15)
Cash payments	(4)	(2)	(9)	(3)	(18)	–	(18)
Non-cash items	–	–	–	–	–	(333)	(333)
Reserve balance, December 31, 1998	$ 92	$ 55	$ 30	$ 38	$ 215	$ 49	$ 264

The Corporation has been successful in completing certain restructuring actions during 1998, predominantly in relation to the European and Australasia Forms businesses which were exited on more favourable terms than initially anticipated and from actual and planned workforce reductions at lower costs. This resulted in an adjustment to the restructuring provision in the fourth quarter.

Non-cash costs include impairment losses of $316 million related to assets held for disposal. The losses comprise $183 million related to goodwill and other assets and $133 million related to property, plant and equipment. A significant portion of the assets associated with these impairment losses were disposed of in 1998 as part of the sale of the Australasia and European Forms operations. The carrying value of remaining assets held for disposal as at December 31, 1998 is $112 million and the expected disposal date for the majority of these assets is 1999. Results of operations for businesses which have been sold, are disclosed in Note 15. Results of operations related to assets held for disposal at December 31, 1998 are sales in 1998 of $334 million (1997 – $251 million) and losses from operations of $5 million (1997 – $1 million).

Also included in non-cash costs are impairment losses of $35 million related to assets held for use. The losses comprise $18 million related to goodwill and other assets and $17 million related to property plant and equipment. The impairment losses were required based on an assessment of net recoverable amounts and fair values of the assets.

Non-cash costs also include $31 million related to a contingent loss on settlement of the United Kingdom pension plan and realization of recorded pension assets.

The restructuring plan includes actions to exit products and facilities. The cash costs associated with these activities have been included in the provision and include: $39 million related to minimum lease commitments extending to year 2004, $16 million to exit certain service contracts, and $44 million for obligations and future payments related to businesses exited or divested.

As at December 31, 1998, approximately 2,900 employees have left the Corporation, representing 2,600 due to divestiture of the European and Australasia forms and labels businesses and 300 from other restructuring actions.

Provisions for restructuring costs include management's best estimates of the amounts expected to be realized on the sale of businesses and amounts to be incurred on the closure of manufacturing plants and integration of the North American operations. The amounts the Corporation will ultimately realize on the sale of certain businesses could differ in the near term from the amounts assumed in determining the provision.

17. REALIGNMENT

In 1997, the Corporation recorded a before-tax realignment provision of $32 million reflecting expenditures to reduce selling, general and administrative expenses and manufacturing overheads. Of the total provision, 90% related to the North American operations where sales declined and the product mix changed. About $29 million of the provision represents cash expenditures to reduce the workforce by almost 700 people. The Corporation completed all realignment activities during 1998.

18. INCOME TAXES

The components of earnings (loss) before income taxes for the three years ended December 31 were as follows:

IN THOUSANDS	1998	1997	1996
Earnings (loss) before income taxes			
Canada	**$ (52,170)**	$ 44,828	$ 56,319
United States	**(431,024)**	37,933	109,554
Other countries	**(159,724)**	21,505	33,323
	$ (642,918)	$ 104,266	$ 199,196

IN THOUSANDS	1998 CURRENT	1998 DEFERRED	1997 CURRENT	1997 DEFERRED	1996 CURRENT	1996 DEFERRED
Provision (recovery) for income taxes						
Canada	**$ (2,317)**	**$ (4,161)**	$ 26,209	$ 518	$ 7,889	$ 1,050
United States	**(23,304)**	**(69,869)**	10,255	6,144	28,728	9,403
Other countries	**5,105**	**140**	(1,326)	7,258	1,740	(1,302)
Withholding taxes on intercompany dividends	**76**	**—**	113	—	1,062	—
	$ (20,440)	**$ (73,890)**	$ 35,251	$ 13,920	$ 39,419	$ 9,151

Deferred income taxes in each of the three years arose from a number of differences of a timing nature between income for accounting purposes and taxable income in the jurisdictions in which the Corporation and its subsidiaries operate. The sources of major timing differences and the tax effect of each were as follows:

IN THOUSANDS	1998	1997	1996
Deferred income taxes			
Depreciation	**$ 6,840**	$ 9,085	$ 1,193
Pensions	**4,424**	6,705	4,871
Inventories	**(524)**	(386)	266
Restructuring and realignment costs	**(73,916)**	(5,526)	5,570
Net operating loss carryforwards	**(8,542)**	687	(3,681)
Other	**(2,172)**	3,355	932
	$ (73,890)	$ 13,920	$ 9,151

The effective rates of tax for each year compared with the statutory Canadian rates were as follows:

	1998	1997	1996
Effective tax expense (recovery) rate			
Canada			
Combined federal and provincial statutory rate	**(43.8)%**	43.8%	43.8%
Corporate surtax	**(1.1)**	1.1	1.1
Manufacturing and processing rate reduction	**6.3**	(6.3)	(6.3)
Expected income tax expense (recovery) rate	**(38.6)**	38.6	38.6
Tax rate differences in other jurisdictions	**(2.3)**	(14.4)	(7.3)
Tax benefit of losses previously not recognized	**(0.3)**	(0.9)	(4.6)
Non-deductible tax losses	**1.8**	10.6	3.8
Restructuring costs	**23.8**	—	—
International divestiture provisions	**0.5**	19.1	—
Withholding taxes	**—**	0.1	0.5
Other	**0.4**	(5.9)	(6.6)
Total consolidated effective tax expense (recovery) rate	**(14.7)%**	47.2%	24.4%

At December 31, 1998, loss carryforwards of approximately $74 million have not been recognized in the consolidated financial statements. Of that amount, $40 million expires between 1999 and 2008 and $34 million has no expiry date. In addition, the Corporation has unrecognized timing differences of approximately $29 million available for utilization in future years.

19. EARNINGS AND FULLY DILUTED EARNINGS PER COMMON SHARE

The earnings per share calculations are based on the weighted average number of common shares outstanding during the year.

In the calculation of fully diluted earnings per share, consideration is given to potentially dilutive share options outstanding. This calculation produces no dilutive effect for 1998 and 1997. The fully diluted earnings per share for 1996 was $1.46. Imputed earnings on the proceeds from the exercise of the options are calculated using a 3.2% after-tax rate of return.

20. SEGMENTED INFORMATION

The Corporation and its subsidiaries operate within five segments in two industries. These two main industries include Forms, Print Management and Related Products (Forms) and Customer Communication Services (CCS).

The Corporation's reportable segments are strategic business units that operate in specific geographic locations or offer different products or services. The segments are managed separately because each unit requires unique marketing and manufacturing strategies or are exposed to different economic environments.

The Corporation's five operating segments are:

Moore North America

In this segment, the Corporation derives its revenue in the Forms industry in the United States and Canada. This segment designs and manufactures business forms and related products, systems and services which include:

- custom business forms and equipment
- electronic forms and services
- print services such as digital colour printing
- pressure sensitive labels
- proprietary label products
- variable-imaged bar codes
- integrated form-label applications
- printers, applicators and software products and solutions

Customer Communication Services (CCS), United States

In this segment, the Corporation derives its revenue from its CCS operations by producing personalized direct mail, and offering outsourcing services for statement printing, imaging, processing and distribution including:

- creation and production of personalized mail
- direct marketing program development
- database management and segmentation services
- response analysis services
- mail production outsourcing services
- real estate information services

Latin America

In this segment, the Corporation derives its revenue mainly from its Forms operations in various locations throughout Central and South America. While there are distinct CCS operations in Brazil and Mexico, the businesses are run in close association with the business forms operations and offer products and services similar to Moore North America. This segment has full access to the Corporation's products, services, technology and manufacturing techniques.

Europe

In this segment, the Corporation derives its revenue from the CCS and, up to August 1998, the Forms operations throughout Europe. On August 1, 1998 the Corporation sold its entire Forms operations. The segment's Forms operations provided products and services similar to Moore North America. The CCS operations manufacture and distribute a comprehensive group of direct marketing products and business communication products and services to its customers. These include:

- printed direct mail items
- magazine inserts
- variably imaged promotional pieces
- statement printing

Asia Pacific

In this segment, the Corporation derives its revenue from Forms operations in Australia, New Zealand, Papua New Guinea and China. The segment provides products and services, which are similar to Moore North America, and has full access to the Corporation's products, services, technology and manufacturing techniques. During 1998, the Corporation ceased operations in China and, on December 30, 1998, the Australasia operations were sold. The Asia Pacific segment will not exist in 1999.

Transfers of products between segments are generally accounted for on a basis that results in a fair profit being earned by each segment. Sales to customers outside the enterprise are attributed to geographic segments based on the location of the business unit providing the product or service.

Operating segments

IN THOUSANDS	MOORE NORTH AMERICA	CCS. UNITED STATES	LATIN AMERICA	EUROPE	ASIA PACIFIC	CONSOLIDATED
1998						
Total revenue	**$ 1,661,604**	**$ 520,837**	**$ 193,777**	**$ 281,662**	**$ 108,068**	**$ 2,765,948**
Intersegment revenue	**(40,412)**	**(1,239)**	**–**	**(6,595)**	**–**	**(48,246)**
Sales to customers outside the enterprise	**$ 1,621,192**	**$ 519,598**	**$ 193,777**	**$ 275,067**	**$ 108,068**	**$ 2,717,702**
Segment operating profit (loss)	**$ (448,480)**	**$ 5,701**	**$ (22,305)**	**$ (104,251)**	**$ (59,910)**	**$ (629,245)**
General corporate expenses						**(1,255)**
Loss from operations						**$ (630,500)**
Segment assets	**$ 823,041**	**$ 299,053**	**$ 107,170**	**$ 157,544**	**$ 17,820**	**$ 1,404,628**
Corporate assets including investments						**321,507**
Total assets						**$ 1,726,135**
Provision for restructuring costs						
Cash	**$ 168,820**	**$ 13,470**	**$ 3,000**	**$ 33,280**	**$ 14,600**	**$ 233,170**
Non-cash	**245,490**	**13,110**	**20,840**	**66,490**	**35,900**	**381,830**
Total provision for restructuring costs	**$ 414,310**	**$ 26,580**	**$ 23,840**	**$ 99,770**	**$ 50,500**	**$ 615,000**
Capital asset amortization	**$ 59,606**	**$ 31,096**	**$ 7,504**	**$ 14,063**	**$ 5,539**	**$ 117,808**
Capital expenditures	**$ 33,187**	**$ 21,735**	**$ 6,334**	**$ 12,996**	**$ 1,197**	**$ 75,449**
1997						
Total revenue	$ 1,567,016	$ 463,146	$ 206,289	$ 298,563	$ 149,525	$ 2,684,539
Intersegment revenue	(52,562)	(768)	–	(195)	–	(53,525)
Sales to customers outside the enterprise	$ 1,514,454	$ 462,378	$ 206,289	$ 298,368	$ 149,525	$ 2,631,014
Segment operating profit (loss)	$ 30,742	$ 36,486	$ (7,235)	$ (5,858)	$ (4,253)	$ 49,882
General corporate expenses						(471)
Income from operations						$ 49,411
Segment assets	$ 1,056,739	$ 313,542	$ 112,640	$ 262,866	$ 80,467	$ 1,826,254
Corporate assets including investments						348,318
Total assets						$ 2,174,572
Capital asset amortization	$ 58,974	$ 26,616	$ 8,466	$ 14,055	$ 7,719	$ 115,830
Capital expenditures	$ 69,407	$ 34,033	$ 10,230	$ 13,938	$ 8,694	$ 136,302
1996						
Total revenue	$ 1,477,710	$ 383,777	$ 213,117	$ 302,361	$ 198,764	$ 2,575,729
Intersegment revenue	(56,426)	(1,496)	–	(134)	–	(58,056)
Sales to customers outside the enterprise	$ 1,421,284	$ 382,281	$ 213,117	$ 302,227	$ 198,764	$ 2,517,673
Segment operating profit (loss)	$ 105,474	$ 40,238	$ (1,087)	$ (4,393)	$ 2,041	$ 142,273
General corporate income						335
Income from operations						$ 142,608
Segment assets	$ 1,030,711	$ 208,436	$ 122,510	$ 224,768	$ 120,777	$ 1,707,202
Corporate assets including investments						516,838
Total assets						$ 2,224,040
Capital asset amortization	$ 50,907	$ 18,454	$ 7,649	$ 8,549	$ 14,016	$ 99,575
Capital expenditures	$ 48,537	$ 31,111	$ 17,186	$ 12,208	$ 10,532	$ 119,574

Geographic information

IN THOUSANDS	CANADA	UNITED STATES	INTERNATIONAL	CONSOLIDATED
1998				
Sales to customers outside the enterprise	**$ 212,406**	**$ 1,887,866**	**$ 617,430**	**$ 2,717,702**
Capital assets and goodwill	**$ 37,844**	**$ 483,200**	**$ 118,890**	**$ 639,934**
1997				
Sales to customers outside the enterprise	$ 181,523	$ 1,769,386	$ 680,105	$ 2,631,014
Capital assets and goodwill	$ 42,180	$ 777,266	$ 186,795	$ 1,006,241
1996				
Sales to customers outside the enterprise	$ 176,831	$ 1,626,780	$ 714,062	$ 2,517,673
Capital assets and goodwill	$ 63,206	$ 449,350	$ 129,139	$ 641,695

21. LEASE COMMITMENTS *(In thousands)*

At December 31, 1998, long-term lease commitments require approximate future rental payments as follows:

1999	$ 46,567	2002	$ 9,598
2000	37,228	2003	3,418
2001	20,745	2004 and thereafter	1,209

22. CONTINGENCIES

At December 31, 1998, certain lawsuits and other claims were pending against the Corporation. While the outcome of these matters is subject to future resolution, management's evaluation and analysis of such matters indicates that, individually and in the aggregate, the probable ultimate resolution of such matters will not have a material effect on the Corporation's consolidated financial statements.

23. FINANCIAL INSTRUMENTS

At December 31, 1998, the aggregate notional principal amount of forward exchange contracts used as hedges was approximately $32,200,000 (1997 – $33,000,000). Net deferred gains and losses from these contracts were not significant at December 31, 1998.

The Corporation may be exposed to losses if the counterparties to the above contracts fail to perform. The Corporation manages this risk by dealing only with financially sound counterparties and by establishing dollar and term limits for each counterparty.

The Corporation does not use derivative financial instruments for trading purposes.

24. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The continued registration of the common shares of the Corporation with the Securities and Exchange Commission (SEC) and listing of the shares on the New York Stock Exchange require compliance with the integrated disclosure rules of the SEC.

The accounting policies in Note 1 and accounting principles generally accepted in Canada are consistent in all material aspects with United States generally accepted accounting principles (GAAP) with the following exceptions.

Pensions (SFAS No. 87)

Under Canadian GAAP, the discount rate is a long-term based interest rate, whereas under United States GAAP, the discount rate reflects an interest rate at which the pension obligation could effectively be settled at the previous year-end date. Prior to 1996, these discount rates were the same; however, the discount rates used at January 1, 1998, under United States GAAP for Canada and the United States were 6.5% (1997 – 7.5%; 1996 – 7.5%) and 7.0% (1997 – 7.75%; 1996 – 7.8%), respectively.

Postretirement benefits other than pensions (SFAS No. 106)

SFAS No. 106 requires that the expected costs of the employees' postretirement benefits be expensed during the years that the employees render services, whereas under Canadian GAAP, the Corporation recognizes the costs of these benefits as an expense as incurred (see Note 12).

Income taxes (SFAS No. 109)

SFAS No. 109 requires a liability method under which temporary differences are tax effected at current rates, whereas under Canadian GAAP, timing differences are tax effected at the rates in effect when they arise.

Earnings per share (SFAS No. 128)

Under Canadian GAAP, diluted earnings per share is calculated using the imputed interest method, whereas the treasury stock method is required for United States GAAP. The Corporation adopted SFAS No. 128 in the fourth quarter of 1997. Earnings per share for all prior periods have been restated.

Stock compensation (SFAS No. 123)

SFAS No. 123 requires proforma disclosures of net income and earnings per share, as if the fair value-based method of accounting for employee stock options had been applied. The Corporation uses the intrinsic value method for accounting for stock options. The disclosures in the table show the Corporation's net income and earnings per share on a proforma basis using the fair value method and Black-Scholes option pricing model.

Comprehensive income (SFAS No. 130)

SFAS No. 130 requires disclosure of comprehensive income and its components. Comprehensive income is the change in equity of the Corporation from transactions and other events other than those resulting from transactions with owners, and is comprised of net income and other comprehensive income. The only component of other comprehensive income for the Corporation is unrealized foreign currency translation adjustments. Under Canadian GAAP, there is no standard for reporting comprehensive income.

Foreign currency translation

Under United States GAAP, foreign currency translation gains or losses are only recognized due to the sale or substantial liquidation of a foreign subsidiary. Under Canadian GAAP, a foreign currency gain or loss due to a partial liquidation is recognized in income.

Business process reengineering

Under United States GAAP, business process reengineering activities involved with information technology transformation projects are expensed as incurred. Prior to October 28, 1998, Canadian GAAP permitted these costs to be capitalized or expensed depending on the company's accounting policy. Subsequent to October 28, 1998, Canadian GAAP requires the cost of business process reengineering activities to be expensed as incurred. The Corporation had a policy of capitalizing software development costs, including business process reengineering costs, until October 28, 1998.

Termination liabilities

Under United States GAAP, a liability for termination benefits is recognized provided that certain conditions are met. Prior to December 31, the details of the benefit arrangement under the approved plan must be communicated to the employees. Under Canadian GAAP, the communication of the benefit arrangements to the employees before the financial statement date is not required. The provision for restructuring costs recorded in 1998 includes termination liabilities not yet recognizable under United States GAAP. Included in the 1998 earnings before taxes for United States GAAP is $23 million of termination liabilities incurred under the restructuring program representing severances for approximately 550 employees. Realignment costs recorded in 1997 under Canadian GAAP include termination liabilities recognized in 1998 under United States GAAP.

Settlements of pension plans (SFAS No. 88)

Under United States GAAP, a gain or loss arising upon the settlement of a pension plan is only recognized once responsibility for the pension obligation has been relieved. Under Canadian GAAP, an intention to settle or curtail a pension plan that is expected to result in a loss requires recognition once the amount is likely and can be reasonably estimated. The provision for restructuring costs recorded in 1998 includes a contingent loss for the write-down of pension assets that is not yet recognizable under United States GAAP.

Income from operations

Under Canadian GAAP, the 1998 provision of $8,000,000 for the decoupling of the European forms and labels business from the customer communication services business and the provision of $51,500,000 charged in 1997 for the disposal of unprofitable operations are recorded in investment and other income. Under United States GAAP, these provisions are charged to income from operations. The classification difference has no impact on net earnings.

Derivatives (SFAS No. 133)

SFAS No. 133 Accounting for Derivatives and Hedging Activities is effective for fiscal years beginning after June 15, 1999. The Corporation has not yet determined the impact the adoption of SFAS No. 133 will have on its earnings or statement of financial position. However, the Corporation does not use derivative financial instruments for trading purposes and only enters into normal commercial hedges.

The following table provides information required under United States GAAP:

IN THOUSANDS	1998	1997	1996
Net earnings (loss) as reported	**$ (547,866)**	$ 55,099	$ 149,923
Decreased (increased) pension expense	**1,592**	(3,795)	(13,110)
Reduced loss on pension settlement	**31,000**	–	–
Decreased (increased) postretirement benefits	**4,986**	(224)	(5,073)
Business process reengineering:			
Reengineering costs – in the year	**(8,992)**	(16,774)	–
– prior to 1997	**–**	(14,000)	–
Reduced termination liabilities	**99,837**	12,500	–
Foreign currency gain	**–**	(35,184)	–
Decreased (increased) income taxes [1]	**(34,699)**	1,172	(10,122)
Net earnings (loss) determined under United States GAAP	**$ (454,142)**	$ (1,206)	$ 121,618
[1] SFAS No. 109 income tax adjustments	**$ (2,542)**	$ (7,437)	$ (17,297)

Earnings per share:

IN THOUSANDS, EXCEPT PER SHARE AMOUNTS	1998	1997	1996
Net earnings (loss)	$ (454,142)	$ (1,206)	$ 121,618
Basic earnings (loss) per share:			
Earnings (loss) before cumulative effect of change in accounting	$ (5.13)	$ 0.14	$ 1.22
Cumulative effect of change in accounting principles [a]	–	(0.15)	–
Earnings (loss) per share	$ (5.13)	$ (0.01)	$ 1.22
Diluted earnings (loss) per share:			
Earnings (loss) before cumulative effect of change in accounting	$ (5.13)	$ 0.14	$ 1.21
Cumulative effect of change in accounting principles [a]	–	(0.15)	–
Earnings (loss) per share	$ (5.13)	$ (0.01)	$ 1.21

(a) Accounting policy for business process reengineering costs changed in the 1997 fourth quarter to expensed as incurred. The cumulative effect of prior period costs previously capitalized was charged to 1997 earnings.

Comprehensive income:

IN THOUSANDS	1998	1997	1996
Net earnings (loss)	$ (454,142)	$ (1,206)	$ 121,618
Other comprehensive income (loss):			
Unrealized foreign currency translation adjustments	(6,402)	(15,170)	3,111
Reclassification adjustment for losses (gains) included in income	12,742	(23,001)	–
Other comprehensive income (loss)	6,340	(38,171)	3,111
Total comprehensive income (loss)	$ (447,802)	$ (39,377)	$ 124,729

Cash flow disclosures:

IN THOUSANDS	1998	1997	1996
Interest paid	$ 19,385	$ 13,707	$ 12,070
Income taxes paid [*]	5,741	33,684	99,689

(*) In 1998 and 1996, $16,519 and $80,057 were included in investing activities that would have been included in operating activities per SFAS No. 95.

Proforma stock compensation disclosures:

IN THOUSANDS, EXCEPT PER SHARE AMOUNTS	1998	1997
Net loss	$ (453,939)	$ (2,429)
Loss per share		
Basic	$ (5.13)	$ (0.03)
Diluted	$ (5.13)	$ (0.03)
Assumptions:		
Risk-free interest rates	5.3%	5.7%
Expected lives (in years)	6	6
Dividend yield	3.9%	4.6%
Volatility	26%	23%

The following data is based upon reports from independent consulting actuaries as at December 31:

IN THOUSANDS	1998	1997
Accrued postretirement benefit cost		
Projected postretirement benefit obligation at beginning of year	$ 279,492	$ 295,453
Service cost	2,674	3,816
Interest cost	19,167	20,604
Amendments	14,255	45,738
Actuarial gain	(4,120)	(73,765)
Foreign currency exchange rate changes	(886)	(806)
Benefits paid	(12,878)	(11,548)
Projected postretirement benefit obligation at end of year	$ 297,704	$ 279,492
Unrecognized net loss	(16,612)	(20,991)
Unrecognized prior service credit	152,583	180,786
Accrued postretirement benefit cost liability	$ 433,675	$ 439,287
Postretirement benefit expense		
Service cost	$ 2,674	$ 3,825
Interest cost	19,167	20,604
Amortization of unrecognized service	(13,949)	(12,657)
Net postretirement benefit expense	$ 7,892	$ 11,772
Assumptions and other information		
Weighted average discount rate	7.0%	7.8%
Weighted average health care cost trend rate		
Before age 65	8.8%	9.1%
After age 65	6.8%	7.8%
The general trend in the rate thereafter is a reduction of 0.7% per year.		
Weighted average ultimate health care cost trend rate	5.2%	5.3%
Year in which ultimate health care cost trend rate will be achieved		
Canada	2004	2003
United States	2002	2002
The following is the effect of a 1% increase in the assumed health care cost trend rates for each future year on:		
(a) Accumulated postretirement benefit obligation	$ 15,743	$ 14,987
(b) Aggregate of the service and interest cost components of net postretirement benefit cost	1,215	1,327
The following is the effect of a 1% decrease in the assumed health care cost trend rates for each future year on:		
(a) Accumulated postretirement benefit obligation	$ 15,743	$ 14,987
(b) Aggregate of the service and interest cost components of net postretirement benefit cost	1,215	1,327

Balance sheet items as at December 31:

IN THOUSANDS		1998 AS REPORTED	1998 US GAAP	1997 AS REPORTED	1997 US GAAP
Net pension liability (asset)	15827	$ 897	$ (14,930)	$ (21,081)	$ (4,212)
Other assets – computer software	39766	(93,664)	(53,898)	(51,075)	(20,301)
Postretirement benefit cost liability		–	433,675	–	439,287
Deferred income taxes asset	177842	(76,441)	(254,283)	(40,363)	(250,700)
Deferred income taxes liability	50530	42,305	92,835	63,880	105,476
Accounts payable and accruals	118337	641,649	523,312	568,882	556,382
Unrealized foreign currency translation adjustments		(105,878)	(70,694)	(112,218)	(77,034)
Retained earnings		405,142	157,993	987,065	646,192

The following table shows the main items included in deferred income taxes under United States GAAP:

Deferred income taxes

IN THOUSANDS	1998	1997
Assets:		
Postretirement benefits other than pensions	$ 171,266	$ 173,410
Tax benefit of loss carryovers	31,584	44,296
Pensions	14,096	19,881
Restructuring costs	53,888	–
Realignment and acquisition costs	–	16,769
Other	20,668	32,617
	291,502	286,973
Valuation allowance	(37,219)	(36,273)
	254,283	250,700
Liabilities:		
Depreciation	62,874	67,407
Pensions	3,192	20,897
Other	26,769	17,172
	92,835	105,476
Net deferred income taxes	$ 161,448	$ 145,224

25. UNCERTAINTY DUE TO YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

26. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Comparative figures have been restated where appropriate to conform to the current presentation.

Management Report

All of the information in this annual report is the responsibility of management and has been approved by the Board of Directors. The financial information contained herein conforms to the accompanying consolidated financial statements, which have been prepared and presented in accordance with accounting principles generally accepted in Canada and necessarily include amounts that are based on judgments and estimates applied consistently and considered appropriate in the circumstances.

The consolidated financial statements have been audited by the Corporation's independent accountants, PricewaterhouseCoopers LLP, and their report is included below.

The Corporation maintains a system of internal control which is designed to provide reasonable assurance that assets are safeguarded, that accurate accounting records are maintained, and that reliable financial information is prepared on a timely basis.

To monitor compliance with the system of internal controls and to evaluate its effectiveness, management has contracted with and directs PricewaterhouseCoopers LLP in an ongoing program of internal auditing.

The Audit Committee is composed entirely of outside directors and meets quarterly with management and PricewaterhouseCoopers LLP to review management's evaluation of internal controls, approve the scope of the program of internal auditing, and discuss the scope and results of audit examinations performed by PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP has unrestricted access to the Audit Committee including the ability to meet without management representatives present.

W. Ed Tyler
PRESIDENT AND
CHIEF EXECUTIVE OFFICER
FEBRUARY 17, 1999

S.A. Holinski
SENIOR VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER

Auditors' Report

To the Shareholders of Moore Corporation Limited:

We have audited the consolidated balance sheets of Moore Corporation Limited as at December 31, 1998 and 1997 and the consolidated statements of earnings, retained earnings and cash flows for each of the three years in the period ended December 31, 1998. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1998 and 1997 and the results of its operations and the changes in its cash flows for each of the three years in the period ended December 31, 1998 in accordance with generally accepted accounting principles in Canada.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
CHARTERED ACCOUNTANTS, TORONTO, CANADA
FEBRUARY 17, 1999

Eleven-Year Summary

EXPRESSED IN UNITED STATES CURRENCY AND, EXCEPT PER SHARE AMOUNTS, IN THOUSANDS OF DOLLARS	1998	1997	1996	1995
Income Statistics				
Sales	**$ 2,717,702**	$ 2,631,014	$ 2,517,673	$ 2,602,254
Income (loss) from operations	**(630,500)**	49,411	142,608	113,612
Per dollar of sales	**(23.2)¢**	1.9¢	5.7¢	4.4¢
Income tax expense (recovery)	**(94,330)**	49,171	48,570	123,738
Percent of pre-tax earnings	**14.7%**	47.2%	24.4%	31.6%
Net earnings (loss)	**(547,866)**	55,099	149,923	267,501
Per dollar of sales	**(20.2)¢**	2.1¢	6.0¢	10.3¢
Per common share	**$ (6.19)**	$ 0.59	$ 1.50	$ 2.68
Dividends	**34,057**	85,830	94,183	93,784
Per common share	**38.5¢**	94¢	94¢	94¢
Earnings retained in (losses and dividends funded by) the business	**(581,923)**	(30,731)	55,740	173,717
Balance sheet and other statistics				
Current assets	**$ 894,343**	$ 965,078	$ 1,369,579	$ 1,449,722
Current liabilities	**941,034**	790,454	485,739	541,730
Working capital	**(46,691)**	174,624	883,840	907,992
Ratio of current assets to current liabilities	**1.0:1**	1.2:1	2.8:1	2.7:1
Property, plant and equipment (net)	**466,198**	635,770	603,750	572,008
Long-term debt	**4,841**	49,109	53,811	71,512
Ratio of debt to equity	**0.0:1**	0.0:1	0.0:1	0.1:1
Shareholders' equity	**610,145**	1,185,612	1,549,819	1,488,170
Per common share	**$ 6.90**	$ 13.40	$ 15.49	$ 14.90
Total assets	**1,726,135**	2,174,572	2,224,040	2,235,638
Average shares outstanding*	**88,456**	93,200	99,967	99,754
Number of shareholders of record at year-end	**5,506**	6,482	6,901	7,236
Number of employees	**17,135**	20,084	18,849	18,771

*In thousands

Quarterly Financial Information

EXPRESSED IN UNITED STATES CURRENCY AND, EXCEPT PER SHARE AMOUNTS, IN THOUSANDS OF DOLLARS (UNAUDITED)	1998				1997			
	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER
Sales	**$ 698,875**	**$ 651,325**	**$ 667,694**	**$ 699,808**	$ 746,971	$ 661,768	$ 617,261	$ 605,014
Cost of sales	**484,277**	**455,611**	**470,267**	**481,094**	507,257	455,309	417,762	399,682
Income (loss) from operations	**26,204**	**(644,456)**	**(21,098)**	**8,850**	4,075	(11,590)	21,640	35,286
Net earnings (loss)	**15,234**	**(546,864)**	**(21,470)**	**5,234**	1,039	(7,880)	30,309	31,631
Per common share*	**$ 0.17**	**$ (6.18)**	**$ (0.24)**	**$ 0.06**	$ 0.01	$ (0.09)	$ 0.31	$ 0.32
Net earnings (loss) based on United States generally accepted accounting principles (Note 24)	**(347)**	**(429,370)**	**(29,843)**	**5,418**	(13,138)	(11,154)	(4,074)	27,160
Per common share* – Basic	**$ –**	**$ (4.85)**	**$ (0.34)**	**$ 0.06**	$ (0.15)	$ (0.13)	$ (0.04)	$ 0.27
Per common share* – Diluted	**$ –**	**$ (4.85)**	**$ (0.34)**	**$ 0.06**	$ (0.15)	$ (0.13)	$ (0.04)	$ 0.27

*The quarterly earnings per common share in 1997 does not equal the full year earnings per common share due to the common share repurchase in the second quarter of 1997.

1994	1993	1992	1991	1990	1989	1988
$ 2,406,048	$ 2,331,796	$ 2,432,998	$ 2,492,278	$ 2,769,596	$ 2,708,406	$ 2,544,019
135,263	(97,223)	24,258	111,833	179,864	282,073	253,544
5.6¢	(4.2)¢	1.0¢	4.5¢	6.5¢	10.4¢	10.0¢
43,853	(18,796)	25,757	47,922	74,030	98,269	87,460
26.4%	(19.8)%	100.7%	35.0%	37.8%	32.7%	31.7%
121,400	(77,606)	(2,327)	88,074	120,629	201,721	185,996
5.0¢	(3.3)¢	(0.1)¢	3.5¢	4.4¢	7.4¢	7.3¢
$ 1.22	$ (0.78)	$ (0.02)	$ 0.91	$ 1.27	$ 2.15	$ 2.01
93,567	93,521	93,108	91,215	89,539	82,609	72,245
94¢	94¢	94¢	94¢	94¢	88¢	78¢
27,833	(171,127)	(95,435)	(3,141)	31,090	119,112	113,751
$ 1,009,714	$ 1,010,441	$ 1,063,144	$ 1,096,062	$ 1,181,316	$ 1,150,833	$ 1,107,920
446,608	451,011	352,491	332,979	411,349	375,581	350,021
563,106	559,430	710,653	763,083	769,967	775,252	757,899
2.3:1	2.2:1	3.0:1	3.3:1	2.9:1	3.1:1	3.2:1
607,096	617,341	655,665	696,390	679,275	590,183	506,457
77,495	67,608	59,718	75,045	94,494	40,267	61,936
0.1:1	0.1:1	0.0:1	0.1:1	0.1:1	0.0:1	0.1:1
1,365,174	1,312,896	1,475,508	1,584,780	1,537,671	1,440,966	1,292,407
$ 13.71	$ 13.19	$ 14.83	$ 16.21	$ 16.05	$ 15.27	$ 13.89
2,031,336	1,974,032	2,020,715	2,134,436	2,205,043	2,008,319	1,847,603
99,538	99,487	99,045	97,028	95,245	93,860	92,603
7,317	7,644	8,440	8,670	8,903	9,683	11,225
19,890	22,014	23,124	23,556	25,021	26,359	25,943

Distribution of Revenue

	1998	1997	1996
Sales and investment and other income	**100.0%**	100.0%	100.0%
Used as follows:			
Wages, salaries and employee benefits	**34.4%**	33.4%	33.2%
Materials, supplies and services	**61.9**	57.9	54.7
Restructuring	**19.5**	–	–
Capital asset amortization	**4.3**	4.3	3.9
Income, property and other taxes	**0.1**	2.3	2.4
Unrealized exchange adjustments	**–**	–	–
Dividends	**1.2**	3.2	3.6
Earnings retained in the business	**(21.4)**	(1.1)	2.2

CORPORATE OFFICE

Moore Corporation Limited
1 First Canadian Place
P.O. Box 78, Toronto, Ontario M5X 1G5
Telephone: (416) 364-2600
Facsimile: (416) 364-1667
Internet: http://www.moore.com

STOCK EXCHANGE LISTINGS

Stock Symbol: MCL
CUSIP No: 615785 10 2
Markets: Toronto, Montreal, New York

The common shares of the Corporation are also included in the Toronto 35 Index, S&P/TSE 60 Index, the Toronto 100 Index, the TSE 300 Composite Index and the Standard and Poor's 500 Index.

MARKET PRICE OF COMMON SHARES

The following table sets forth the high and low prices of the common shares of the Corporation on the Toronto, Montreal and New York exchanges.

	THE TORONTO STOCK EXCHANGE (C$)		MONTREAL EXCHANGE (C$)		NEW YORK STOCK EXCHANGE (US$)	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
1998						
4th quarter	19.20	15.00	19.05	15.05	12.4375	9.75
3rd quarter	20.00	14.60	19.95	14.60	13.5625	9.4375
2nd quarter	24.20	18.00	24.15	18.00	17.0000	12.3125
1st quarter	25.35	20.50	25.30	20.60	17.6875	14.375
1997						
4th quarter	26.70	19.30	26.60	19.55	19.250	13.500
3rd quarter	31.20	25.00	31.00	25.30	22.500	18.375
2nd quarter	31.10	26.35	31.10	26.35	22.500	18.875
1st quarter	31.40	26.75	31.35	26.75	22.875	20.000

DIVIDENDS

In 1998, the Corporation paid a dividend of 5¢ (U.S.) per common share each quarter except for the first quarter when the Corporation paid 23½¢ (U.S.) per common share. Subject to formal declaration by the Board of Directors, dividend record and payment dates for the next four dividends will be as follows:

Record Date	Payment Date
March 5, 1999	April 1, 1999
June 4, 1999	July 2, 1999
September 3, 1999	October 1, 1999
December 3, 1999	January 7, 2000

Dividends are declared and paid in United States dollars. Shareholders have the option of receiving dividends in equivalent Canadian funds or participating in the Dividend Reinvestment and Share Purchase Plan. The Dividend Reinvestment Option allows shareholders to have their cash dividends reinvested to acquire additional shares. The Share Purchase Option allows shareholders to purchase shares by making cash payment of not less than CDN$50 and not more than CDN$5,000 in each quarter.

Withholding taxes at the rate of 25% are imposed on the payment of dividends to non-residents of Canada. Under the present Canada/United States tax treaty, such rate is generally reduced to 15%.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common shares of the Corporation is the CIBC Mellon Trust Company at its offices in Montreal, Toronto, Winnipeg, Calgary and Vancouver. The co-transfer agent and registrar is ChaseMellon Shareholder Services in New York.

SHAREHOLDER ACCOUNT INQUIRIES

CIBC Mellon Trust Company operates a telephone information enquiry line that can be reached by dialling toll-free 1-800-387-0825 or (416) 643-5500. Their internet address is www.cibcmellon.ca
Correspondence may be addressed to:
Moore Corporation Limited
c/o CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario, Canada
M5C 2W9

INVESTOR RELATIONS

Institutional and individual investors seeking financial information about the company are invited to contact Shoba Khetrapal, Vice President and Treasurer at the Corporate Office.

FORM 10-K/ANNUAL INFORMATION FORM

The Annual Report on Form 10-K is filed with the United States Securities and Exchange Commission and with the Canadian securities authorities as the Annual Information Form. It is available without charge by contacting the Corporate Communications Department and at http://www.sedar.com

DESIGN BRYAN MILLS & ASSOCIATES PRINTED IN CANADA ON RECYCLED PAPER

Moore product solutions

P R O D U C T

solutions

Healthcare solutions for cost-effective, efficient document management practices.

Electronic, programmable chips mounted on pressure sensitive labels utilizing radio frequency communication to track and trace inventory items.

Variable image labels and forms book for the express distribution industry.

Customer retention programs for the automotive industry.

Examples of personalized direct mail for customers produced by Moore in Europe.

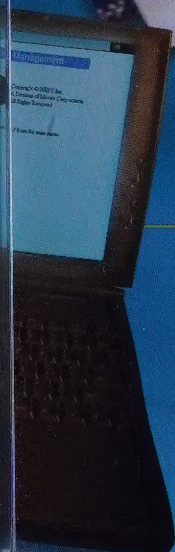
Pressure seal mailing solutions, with advanced document security and verification features, protect negotiable documents from fraud.

Registration validation and vehicle registration certificates with decal produced for various states.

Loyalty marketing and prepaid phone cards.

Telesena savings certificates and hologram authenticity seals produced in Brazil.

Wireless automated data collection solutions from Peak Technologies.



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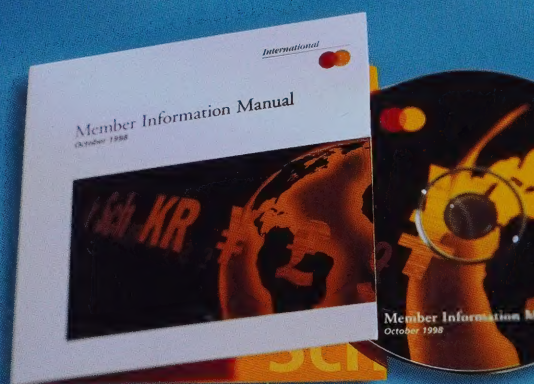

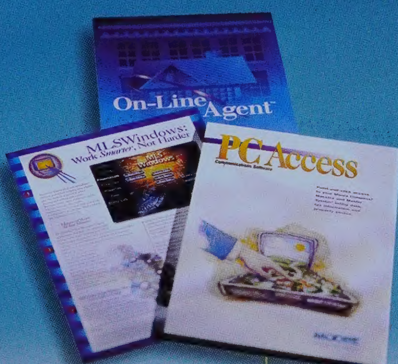

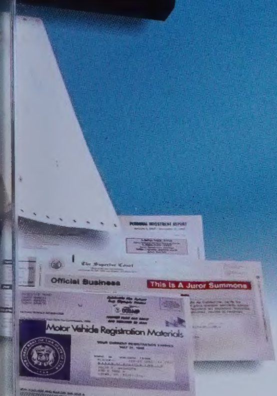

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